

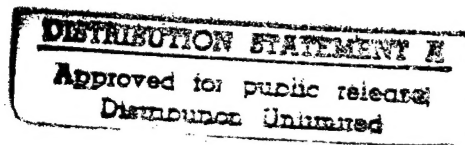
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9 August 1984

# China Report

ECONOMIC AFFAIRS



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9 August 1984

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## PROVINCIAL AFFAIRS

### GU XIULIAN'S JIANGSU GOVERNMENT WORK REPORT

OW140200 Nanjing XINHUA RIBAO in Chinese 29 Jun 84 p 1

[Report on the work of the Jiangsu Provincial People's Government delivered by Governor Gu Xiulian at the Second Session of the Sixth Jiangsu Provincial People's Congress on 20 June 1984--passages within slantlines printed in boldface]

[Text] Fellow Deputies:

On behalf of the Provincial People's Government, I now submit a work report for examination and approval by the current session.

#### I

The year 1983 was the first year of implementing the guidelines formulated by the 12th CPC National Congress to create a new situation in all fields of socialist modernization. Under the leadership of the party Central Committee, the State Council, and the Jiangsu Provincial CPC Committee, governments at various levels in our province carried out the various tasks put forward by the first session of the Sixth Provincial People's Congress and, by relying on the common efforts of the broad masses of cadres and people, made progress in the work in all fields.

As a result of the continued implementation of the policy of readjusting, restructuring, consolidating, and improving, our province's national economic plan last year was fulfilled in a better way than anticipated. The total value of industrial and agricultural production reached 82.43 billion yuan, an increase of 11.9 percent over the previous year. The financial revenues totalled 7.307 billion yuan, topping the previous year by 9.7 percent. We prefulfilled targets set in the Sixth 5-Year Plan for the seven major economic and social indices such as national income, output value of heavy industry, agriculture, and industries run by towns and townships, and net income of peasants; the output of four major farm products, grain, cotton, edible oil, and pork, beef, and mutton; and the output of 37 major industrial products, including cotton cloth, coal, steel, chemical fertilizers, pesticides, cement, and hand-operated tractors. The urban and rural markets were brisk with the price of most daily necessities remaining basically stable. The total volume of retail sales throughout the province was 20.74 billion yuan, 11.4 percent more than the previous year. The total volume of products procured for foreign trade was 4.31 billion yuan, an increase of 6.1 percent. The total value of exports reached \$350 million, an

increase of 15 percent. There was a sustained growth in the transport volume of passengers and cargoes. As a result of the improved structure of investment in capital construction, the pace of key projects has been increased. Progress has also been made in urban and rural construction and in environmental protection work. The people's living standards have further improved. The average annual per capita income of families of workers and office staff available for living expenses was 498 yuan, an increase of 5.5 percent over the preceding year. According to surveys of family livelihood, the per capita net income of the peasants rose to 356 yuan, an increase of 15.4 percent. Some 8.5 million square meters of residential buildings were built in cities. More and more peasants are building new living quarters.

There have been new advances in science, education, culture, public health, and physical culture and sports. Some 730 highly technical research projects have been completed in the work of science and technology, which are geared to economic development and are combined with production. Many of these projects have shown good results in their actual application. Progress has been made in various educational undertakings. The number of schools of higher learning increased by six with total enrollment increasing by 28.9 percent. Enrollments have continued to grow in radio and television universities, universities for workers and office staff, universities offering courses through correspondence and periodicals, and evening universities. Structural reform of secondary education is under way. The number of secondary specialized schools increased by 8 with total enrollment increasing by 26 percent; vocational middle schools increased by 22 with total enrollment increasing by 67.5 percent; and technical schools increased by 4 with total enrollment increasing by 17.1 percent. Primary education has been basically popularized in 41 counties. The number of kindergartens has also increased with enrollment 5.3 percent higher than the previous year. Training schools for workers and spare-time technical schools for peasants have also sprung up in large numbers. Progress has been made in eliminating illiteracy. Medical and public health services have improved, and the patriotic health campaign and the work to prevent and control diseases have been further carried out. Better results were scored in physical culture and sports last year with a total of 81 gold medals in major competitions at home and abroad and 10 new national and 76 new provincial records. Mass sports activities have been thriving in urban and rural areas. In family planning, the natural population growth rate has somewhat declined as a result of intensified propaganda and education and implementation of birth-control measures. Departments concerned with research in social sciences, culture, literature and art, the press, publishing, radio and TV broadcasting, cultural relics, libraries, and museums have done a great deal to promote a number of outstanding works and achieve fruitful results. Mass activities in the "five stresses, four beauties, and three loves," joint activities by the army men and the people in building civilized units, and reading activities, which have been unfolded everywhere, have raised the ideological awareness and morality of the masses of people. In accordance with the constitution and relevant policy decisions, departments concerned with ideological and cultural work have done tremendous work and scored marked results in opposing and resisting spiritual pollution.

Socialist democracy and the legal system have been strengthened. Last year was the first year since the new constitution came into force. Through extensive publicity given to the new constitution, the broad masses of people have enhanced

their understanding of the legal system and raised their consciousness in observing the constitution and laws, thereby giving full expression to socialist democracy. In accordance with a decision of the NPC Standing Committee, we have launched a struggle to deal sternly with serious criminal cases and severely punish, according to law, criminals who seriously jeopardize public security and the safety of the people's life and property. At the same time, we have coordinated the efforts of all quarters and adopted various measures to bring about a turn for the better in public order and prevailing social practices and intensify the building of the legal system.

Vigorously supporting various localities and fronts in building socialism, the PLA units have actively taken part in and made important contributions to combating floods and snowstorms and providing disaster relief. The building of armed police and militia units and the work to support the army and give preferential treatment to army dependents and to support the government and cherish the people in various localities have been continuously strengthened, thereby bringing about closer relations between the army and the government and between the army and the people. The works in overseas Chinese affairs, minority nationalities affairs, and religion have been further unfolded, which have inspired the patriotism of the people of various circles. Advances have been made in promoting relations with foreign countries and tourism.

In the past year, there has been continuous development of socialist civilization in both its material and spiritual aspects and growing political stability and unity. The political and economic situation is very encouraging. This is a result of hard work achieved by the broad masses of people in the province under the guidance of the line, principles, and policies formulated since the convening of the 3d Plenary Session of the 11th CPC Central Committee in emancipating the mind, daring to bring forth new ideas for creating a new situation, and persistently making reform. I shall now discuss, in particular, the major aspects of economic reform.

/Reform that has been carried out in depth in rural areas has promoted the rapid development of commodity production./ The output-related system of contracted responsibilities, which gradually spread from agriculture to other fields throughout the province last year, has brought into better play the superiority of the cooperative economy in rural areas, fired the enthusiasm of the peasants to become well off through diligent labor, and further liberated the productive forces in the rural areas. There are now some 1.3 million specialized households, constituting about 10 percent of the total farm households, and some 50,000 economic associations in various forms. Villages and townships specialized in one or several kinds of subsidiary products to diversify the economy, as well as enterprises run by one or several farm households, have emerged. Agriculture and sideline occupation have developed along the direction of specialized and socialized production. Owing to the party's policies as well as irrigation and water conservancy facilities and the effects of science and technology, last year, we won a bumper agricultural harvest after suffering serious natural calamities. Total output of grain was 61.106 billion jin, 6.9 percent more than 1982; cotton output reached some 13 million dan, an increase of 15.1 percent. Both are record figures. A diversified economy has developed at a relatively fast pace. The gross value of agricultural, subsidiary, and industrial

production of the rural areas last year totalled 35.6 billion yuan, topping the preceding year by 12.2 percent. Of this, the output value of forestry, animal husbandry, fishery, and sideline occupation was 4.65 billion yuan and of industries run by towns and townships was 16.21 billion yuan, respectively 13.1 and 45.4 percent of the gross output value. Industries run by towns and townships, which have already become a strong pillar supporting the rural economy, took 420 million yuan from the profits last year to support agricultural production and increase the distribution among commune members, delivered 1.13 billion yuan in taxes to the state, and provided jobs for 3.7 million of the rural work force. Commodity production has developed quickly in rural areas. The proportion of marketable products in agriculture, sideline occupation, industry and other trades is more than 70 percent. As agriculture, forestry, animal husbandry, fishery, and sideline occupation have developed in an all-round manner, and an economy of comprehensive management embracing industry, commerce, the building industry, transportation, and the service trade has taken shape in the rural areas, broad prospects for developing rural productive forces have emerged in our province.

/The gradual development of urban reform work has given a positive effect on invigorating the economy./ Last year the first-step reform in replacing profit delivery with tax payment was carried out by all state-owned enterprises in the province, and the relationship between the state and the enterprises was handled fairly well. The total profit earned by the 1,611 state-owned enterprises in various localities increased by some 184 million yuan above the 1982 level. Of this, 52.6 percent went to the state, and 47.4 percent was retained by the enterprises (including that part which was used for bonus and welfare purposes for staff and workers). This not only ensured that the state got a bigger portion of the increase in profit, but also enabled the enterprises to receive a reasonable advantage. It also made preparations for the second-step reform in replacing profit delivery with tax payment. In the meantime, work was done in industrial and commercial enterprises to gradually improve the various forms of economic responsibility systems, achieving initial results in integrating responsibility, power, and profit. Due to the institution of the economic responsibility contract system, coal production of the Xuzhou Mining Bureau showed an increase, instead of a decrease as in the past, and the enterprises under this bureau operated with better economic results. Some small state-owned industrial enterprises and units engaged in the catering and service trades began to be operated by collectives or their operations were contracted to their staff members and workers either collectively or individually, while they were still owned by the state. With regard to the reform of the capital construction managerial system, some localities and units, particularly those collectively owned construction enterprises undertaking work projects in other provinces, implemented the system of project investment responsibility, instituted the public bidding system on a trial basis, or put into practice the contract work system, thus raising the economic results of their work and winning a fairly good reputation in the province where they worked. With regard to commodity circulation, we introduced a new system which concerned all types of economic units engaged in this work. The system opened more channels for the flow of goods, encouraged diversified methods of operation, and reduced the number of intermediate units in the circulation of commodities. This changed the previous practice of having separate systems for the circulation of commodities in cities and the countryside.



The smooth flow of commodities resulted in the thriving scene in which state-owned enterprises, collective enterprises, and individually operated units were competing with one another in the course of advancing. Last year there were considerable increases in retail sales scored by all types of commercial units. Retail sales by units owned by the whole people grew by 6.9 percent compared with the preceding year, while those by collective units and individually operated units increased by 12.5 percent and 2.2 times respectively. The use of numerous ways of buying and selling and the application of various flexible methods of supply changed the previous practice of having all means of production distributed and all consumer industrial products purchased and sold under the unified state plans. In Wuxi and Nantong cities, the system of textile producers handling the sale of their own products was put into practice as an experiment. Prices for more than 560 different kinds of minor commodities in the province were determined through consultations between the producers and the commercial units. Initial reform was carried out with regard to supply and marketing cooperatives, and as a result, they restored the nature of mass organizations with democratic management and flexible operations, and a better relationship appeared between the peasants and these commercial organizations. The materials supply system was also reformed to some extent. For example, the method of supplying all materials required by key construction projects on a contract basis was put into effect. The supply departments in Changzhou, Suzhou, and Wuxi cities knocked down the barriers between different departments and different areas and carried out coordination aimed at using the excessive materials in one place to supply the needs in another. These reforms were made in conjunction with readjustment of the economic structure, consolidation and reorganization of enterprises, formation of associations, and technical transformation of enterprises to improve production, develop scientific research, and operate in such a way as to serve the customers. They played an important role in arousing the initiative of staff members and workers to promote production, practice economy, and raise the economic results of their work. Last year our province's industry developed at a rather fast rate. The gross value of output was 56.88 billion yuan, or 13.1 percent more than the preceding year. Development of heavy and light industries became balanced. Product quality showed improvement, and there were more varieties and new designs. (?Funds used for manufacture of industrial products at year end) [Gong ye chan cheng pin zi jin qi mo zhan yong e 1562 2814 3934 2052 0756 6327 6855 2601 2608 0594 3938 7345] showed a decline. Use of labor also declined, while labor productivity of all staff members and workers rose. Energy consumption for making 100 million yuan worth of products was less than the previous record. From the overall viewpoint of economic results, the profit earned and turned over to the state by state-owned industrial enterprises listed in the budget grew 7.6 and 3.5 percent respectively compared with the preceding year. More enterprises earned a profit and fewer enterprises operated at a deficit. Fewer products yielded losses instead of profits. Total losses last year declined 41.2 percent from the record of the preceding year. This was our initial work of urban reform, in which we made some achievements and accumulated some useful experience. As long as we keep to the correct direction and carry on the work persistently, unswervingly, and in a down-to-earth way, we will find an even broader way ahead for our reform work.

/The implementation of the new system of cities leading their surrounding countries has resulted in the harmonious development of urban and rural economies./

With the approval of the State Council, last year our province implemented the system of cities leading their surrounding counties, creating a favorable condition for reforming the economic system. To meet the requirements of integration between cities and the countryside, all levels of leadership started to make unified planning and organized their economic activities. In accordance with the principle of specialization and coordination, some cities adjusted industries in urban and rural areas and centralized management and planning of production according to different categories of products. This not only improved industrial management organizationally and brought new vitality to the urban industry, but also helped the development of village and town industries toward the promotion of "small but specialized," "small but fine," and "small but associated" operations. The strong points of cities with respect to knowledge and technology were brought into fuller play in helping the rural areas train technical workers, establish science and technology information networks, facilitate the exchange of market information and science and technology materials, and raise the level of science and technology as well as the level of management. At the same time, work was started to set up commodity circulation networks, break down the barriers between different areas, and promote the production and exchange of commodities, thus solving to some extent the problems of "difficulty in selling" and "difficulty in buying." In addition, work was done to develop water, highway, and railway joint transport service for the purpose of boosting the transport capacity to better serve the needs of production and circulation of commodities. It has not been long since our province put into practice the system of cities leading their surrounding counties. With the gradual improvement of this system and the in-depth development of our reform work, we are sure that the advantages of this system will be brought into fuller play.

/After being reformed, administrative organs at all levels have strengthened their leadership over economic work./ Since last year, we have adjusted or amalgamated the original units in the provincial, city, and county administrative organs and have strengthened economic-coordination, statistics-supervision, and law-enforcement departments. In rural areas, we have completed the work of separating government functions from management of production in communes and have strengthened the building of grassroots political power. In the reform of organizations, we have adjusted the leading bodies at all levels, fulfilled the requirements for cooperation between old and new cadres and, in some cases, succession of old by new cadres. A large number of young and middle-aged cadres characterized by both ability and political integrity have been placed in leading bodies insofar as the age, educational level, and professional competency of their members are concerned. According to statistics, the total number of members of leading bodies in the province's 64 counties (cities) has been reduced by 21.9 percent, and their average age lowered by 7.1 years. Seventy percent of the county heads and deputy county heads received college, or higher, education. There are more women cadres and nonparty cadres. Governments at all levels have concentrated their main efforts on economic work. After assuming their new leading posts, many cadres have studied hard, made positive efforts to do practical work, and boldly blazed new trails. Some of them have become vanguards in making reforms. Now, because of the requirements for systems reforms, simplified administration, and delegation of power to lower levels, the work of reforming the administrative organs at various levels will be continued so that it will develop in greater depth to serve the needs of the four modernizations still better.

Fellow deputies, the achievements we have scored in building socialism further testify that the various policy decisions of the party Central Committee and the State Council conform to the reality in China and are in keeping with the aspirations of the people. They also testify to the necessity of carrying out reform in the entire course of the modernization drive. However, there were still quite a few problems in our work over the past year. Due to the trammels of the "leftist" ideological influence and the forces of habit, we have failed to fully emancipate the mind for reform and make big strides in various fields of urban reform. No sufficient efforts were made to follow the correct guidelines in administrative work and take timely action to study and remove certain outdated regulations among the many rules that are unsuitable for the current situation. No serious thoughts were given to some overall long-range strategic questions in economic work. After the development of commodity production in rural areas, no timely efforts were made to improve the circulation channels and provide before- and after-production services. No effective measures were adopted to improve the organization and management of industrial production and quickly apply and popularize new technologies. In particular, we have lagged far behind the advanced level of some fraternal provinces, municipalities, and autonomous regions in comprehensive economic results. Our social welfare could not keep abreast of the development of economic construction and meet the people's growing needs for material and cultural life. In culture, education and public health, with which everyone is concerned, our province's average per capita funds were lower than the national level, despite the increases of expenditures in recent years. We must pay close attention to this problem and raise the proportion of expenditures in this field along with the development of economic construction. In leadership style and work method, we have failed to swiftly overcome the bureaucratic attitude and routinism, cut down the numbers of meetings and documents, and raise the work efficiency. After studying a series of important instructions of the party Central Committee and State Council recently, we reviewed and summed up our work and analyzed the current situation in the spirit of party rectification, thus further clarifying the direction. Henceforth, we must continue to resolutely carry out the policy of opening to the outside world and invigorating the domestic economy; diligently learn from the advanced experience of fraternal provinces, municipalities, and autonomous regions; and quicken the pace of reform in order to make continuous advances in building socialism in Jiangsu.

## II

During an inspection tour of Jiangsu early this year, central leading comrades affirmed our province's economic achievements in the past 7 years and called on us to win another "seven victories in seven battles" as we did in central Jiangsu during the war of liberation. This instruction requires us to continue the pace of the economic development from previous years and make new progress in the next 7 years. It is the central authorities' ardent expectation of us, as well as a major step for our province to accomplish the magnificent goal set by the 12th CPC National Congress. The target for developing the national economy in Jiangsu for the next 7 years set by the provincial party committee and the provincial government in accordance with the central leading comrades' instruction is, on the basis of continuously raising economic results, to make the gross value of industrial and agricultural output of 1990 double that of 1980, or strive to



fulfill this target before 1990. The fulfillment of the target can not only contribute more to the country and benefit the people better but can also lay a sound foundation and reserve strength for vigorous economic growth for the next decade. We have begun to formulate the seventh 5-year economic and social development plan which will be submitted to the next session of the Provincial People's Congress for examination and approval.

Nineteen eighty-four is the first year for our province to march toward the goal of another "seven victories in seven battles." The requirements and tasks for economic work in the province this year are, closely centering around the general task and general objective put forward by the 12th CPC National Congress and in accordance with the guidelines of the party Central Committee, the State Council, and the 2d Session of the 6th NPC, to continue to straighten out economic relations, restructure the economy, raise economic results, appropriately develop social welfare, do a good job in family planning, and improve the people's livelihood in order to create a new situation in the work in all fields. It is planned that the gross industrial and agricultural output value for this year will be 86.9 billion yuan, an increase of 5.4 percent over last year, of which the increase of agricultural output value will be 4.2 percent and of industrial output value, 6 percent. The fixed target for financial revenues will be 7.7 billion yuan, an increase of 5.4 percent.

In order to achieve the goal of another "seven victories in seven battles" and fulfill the tasks for 1984, we must persistently carry out the principle of building a socialist civilization both materially and spiritually and make greater progress in the work of all fields. In particular, we must concentrate our efforts on continuing to push economic work forward. From now on, until some time to come, we must regard as strategic tasks the work in the following four fields:

#### 1. Vigorously Develop Commodity Production in Rural Areas

As our province's economy is founded, rather stably, on agriculture, the situation in agriculture has a direct bearing on economic development in the province as a whole. We must conscientiously implement the central authorities' No 1 and No 4 Documents this year and, while stabilizing and perfecting the production responsibility system, raise productivity, improve circulation channels, and develop commodity production. It is necessary to continue to restructure the economy, speed up the comprehensive development of the rural economy, and strive to raise overall economic results in agriculture. It is also necessary to persistently carry out the principle of "sparing no effort in promoting grain production, and actively developing diversified undertakings," and correctly handle relationships between agriculture, sideline production, industry, and other trades. Efforts must be made to protect farmland, stabilize the acreage for growing grain crops, and explore the potential for developing diversified undertakings. It is necessary to apply science and technology to increase per-unit output of grain and cash crops. The cost of agricultural production must be lowered in order to raise economic results. It is necessary to build good bases for producing commercial grain and marketable forestry, animal husbandry, fishery and subsidiary products by actively supporting and developing households specialized in grain production, or production of other undertakings and economic

associations, protecting their legitimate rights, taking the initiative in providing before- and after-production services, and helping them solve problems in production and marketing. It is also necessary to give more guidance and support to enterprises run by towns or townships, vigorously develop the processing industry for various farm and subsidiary products, and develop the construction materials, building, and transport industries, and the service trades. It is necessary to adopt measures suited to local conditions, make the best possible use of favorable conditions, avoid the unfavorable, and enable each locality or unit to find the path suitable for itself. It is necessary to carry out technical transformation, raise the technical standard, and improve management and operations of enterprises run by towns and townships, to enhance the ability of their products to compete with other products. In order to cope with the development of commodity production and exchanges, intensify the building of small towns and cities, and bring into full play their role in maintaining links between cities and townships, and promoting their integration, it is necessary to set up good economic, cultural, scientific and technical networks with cities as centers, villages as foundations, and small cities and townships as links between them.

It is necessary to pay close attention to technical transformation in agriculture by establishing and improving systems of research in agro-science, popularization of new technologies, and technical training in order to provide better services for the peasants. It is necessary to intensify the building of irrigation and water conservancy facilities, industries supporting agriculture and basic agricultural facilities, and actively carry out technical transformation for conserving energy in irrigation and drainage equipment operated by electric machines. Governments at all levels must continue to pay attention to investment in agriculture. At the same time, collectives and commune members should appropriately increase the accumulation and collection of funds through various forms to build basic agricultural facilities, in order to continually improve the condition for agricultural production. It is necessary to proceed from reality in our province, and combine the tradition of intensive cultivation with modern agro-technology, the peasants' practical experience with expert knowledge, and science and technology with the force of policy in striving to build a civilized and prosperous countryside with developed agriculture and balanced ecological environment.

## 2. Raise the Current Level of Industry, Open New Fields for the Processing Industries

Our Province's industry is characterized by the numerous processing industries, small, medium-sized, and collectively-run enterprises. Granted bigger decision-making powers, these enterprises have managed their operations in a relatively flexible way. However, their technical equipment is rather backward, organizational and technical levels are low, and ability to compete in the market is poor. They are not fit to meet the challenge of the new technological revolution we face, and the fierce market competition at home and abroad. We must step up the technical transformation of existing enterprises, raise the technical level of industry and, at the same time, make vigorous efforts to open new fields in the processing industries, in order to produce superior products and build a superior industry with the distinctive characteristics of Jiangsu.

At the beginning of this year, the provincial government called for achieving a breakthrough in the three key areas, that is, to achieve a breakthrough in the key area of technical progress by using and popularizing microcomputers, in the reorganization and amalgamation of enterprises by carrying out coordination among specialized departments in manufacturing products, and in the development of new industries by promoting the feed, food and packing industries. In the past 6 months, the province and all the cities conducted a number of surveys and research and formulated preliminary plans, some of which have already been put into action and have yielded results. Efforts must be continued in this aspect. The application and popularization of microcomputers is for the purpose of updating the products of the machinery industry and the technical transformation of other industries. It is necessary to step up the development of educational instruments and meters and gradually integrate machinery, electronics and instruments in application. As there are broad prospects for the feed, food and packing industries, their development can spur on a series of other industries. It is necessary to rationally utilize and vigorously develop the resources of protein feeds and speed up the exploration of various feed additives in order to provide a greater variety of quality products mixed with a scientific formula and to set up a rather comprehensive production system in the feed industry. It is necessary to revive and develop traditional foods, continuously develop new products, intensify the building of bases providing raw materials for the food industry, and energetically develop nutritious foods, foods that can be served conveniently, and foods suitable for the old, children, women and the sick. It is necessary to explore new packing materials and improve packing techniques and design. It is necessary to go all out to develop new building materials and produce more compact and lighter materials. At the same time, it is necessary to promote the production of household equipment and interior decorations to cope with the growing needs of newly built houses.

We must raise the level of the existing processing industries, actively develop high precision and sophisticated energy-conserving products able to compete on the market, and increase the production of famous-brand quality products in order to reduce investment, increase revenues and raise economic results. It is necessary to apply advanced domestic technologies, military technology and results of scientific research on production as quickly as possible. At the same time, it is necessary to use foreign funds and loans and import advanced technology and equipment to speed up technical transformation in small and medium-sized enterprises so that around 1990 about half of the key equipment of major enterprises can reach the world's technical levels of the late 1970's or the early 1980's. Economic and administrative measures should be taken to facilitate the reorganization and amalgamation of enterprises. We must earnestly sum up the experience in this aspect, seek various forms of amalgamation, improve coordination among specialized departments and raise the level of industrial structure.

### 3. Do a Good Job in Energy, Transportation and Key Construction Projects

Our province faces a shortage of energy resources and strain on transportation. In order to adapt to the needs of economic development, it is necessary to give priority to energy and transport. It is necessary to correctly handle the

relationship between projects for new construction and for remodeling, expanding and tapping of potentials in accordance with the principle of combining large, medium and small units and taking into consideration both favorable and unfavorable factors. It is necessary to make unified planning and overall arrangements with due consideration for both large key projects and small and medium projects, as well as projects that can be put to use in long-range or near future. In addition to actively taking part in the construction of key strategic projects sponsored by the state in our province with large investment and long construction cycle, it is also necessary to harness the enthusiasm of cities, counties and provincial departments in concentrating a certain proportion of financial and material resources to build a number of small and medium-sized energy and transport projects with small investment and short construction cycle and capable to produce quick results. In doing so, we will be able to ensure the sustained economic growth in the province while accumulating and reserving strength for future development.

With regard to energy resources, we should vigorously raise funds and make great efforts to speed up the development of the Fengpei mining area and various small locally run collieries. Mining work should also be accelerated in the Xuzhou mining area so that coal reserves in this old mining area will be exploited "quickly" instead of "little by little" as at present. At the same time, we should cooperate with Henan and other provinces in joint ventures to exploit coal resources outside our province. Efforts should be made to raise funds for building power-generating projects, promote the use of methane gas, harness wind power and solar energy, and survey and prospect for petroleum and natural gas resources on an extensive scale. It is necessary to pay attention to the economical use of energy, make positive efforts to apply new energy-saving techniques, and do a good job of technical transformation aimed at conserving energy. We should strengthen the scientific management of our energy resources, develop new energy-efficient technology-intensive industries, actively popularize the energy-saving experience of the Taicang Chemical Fertilizer Plant, and continue to cut the average energy consumption for every 100 million yuan of production value with particular attention to lowering the energy consumption for making each unit of product. In addition, we should open more avenues to acquiring the supply of coal. To this end, apart from cooperation with other provinces in the provision of materials and funds for developing joint coal-mining projects, we should develop technical cooperation with them. We should not only maintain and consolidate the existing relations of cooperation, but should also initiate cooperative projects in new areas with a view to ensuring the supply of coal to meet the production and construction requirements of our province.

In developing transport, we should take into account the overall economic results and the need for multiform transportation. Coordinated efforts should be made to develop water, land, and air transportation as well as long- and short-distance transportation so that they will make up the best combined transportation capacity. Active support should be given to the development of transport undertakings by collectives and individuals. According to the policy that "whoever builds and operates the project should enjoy the profits earned from the project" and that "the people should build the projects to meet their own needs," we should encourage all units and people to raise funds for building bridges,

highways, and wharves under unified planning. Active efforts should be made to develop joint transportation projects and thorough transportation service and to make proper arrangements for highways and railways to share the work of land transportation. Attention should be paid to water transport by making continued efforts to develop inland-river, coastal, and ocean shipping services in the spirit of specialization and coordination. It is also necessary to speed up port construction. While building the three ports opening to the outside world, namely Lianyungang, Nantong, and Zhenjiang ports, we should do our best to speed up the construction of Nanjing Port and the great port of Zhenjiang according to the plans. In addition, we should develop civil air transport within our province and also strive to open new international flight routes.

According to the state plan, a number of key construction projects will be built in our province during the Sixth and Seventh 5-Year Plan periods. Examples are: Yangzi ethylene project, Yizheng chemical fiber project, six 10,000-ton berths in the Lianyungang Port, Nanjing Port, the northern Jiangsu section of Dayun He [The Grand Canal], Huaihai Cement Plant, Lianyungang Soda Ash Plant, Datun Coal Mine, and auxiliary projects for the Baoshan Iron and Steel Complex, Chuanshan Limestone Quarry in Zhenjiang and Nanjing Dolomite Mine. In addition to the above, there are 14 key projects for which preliminary preparatory work should be done, such as the project of diverting water from Chang Jiang to areas north of the Huang He, the scientific research-production complex of Plant No 742 in Wuxi, and the Southern Jiangsu Nuclear Power Plant. We should do our best to ensure the smooth progress of these key construction projects by forming leading bodies for the work, tearing down the buildings and moving away the residents from the construction site, supplying materials needed for the projects, and providing daily necessities for the working personnel.

#### 4. Pay Attention to the Development of Intellectual Resources and Speed Up the Training of Competent Personnel

To invigorate Jiangsu's economy and greet the technological revolution, we are in urgent need of large numbers of persons who know modern science and technology and who have knowledge of modern management. Now there is a shortage of personnel in all specialized fields. Our present personnel situation cannot meet the needs of the modernization program either in quantity or in quality or as far as the proportion of numbers of personnel in different professions are concerned. Moreover, the use and distribution of personnel are far from reasonable. Some departments and units are heavily overstaffed, resulting in serious waste of manpower. To solve this problem, we must implement all policies established by the party and state concerning the development of education and scientific research, accelerate the work of developing intellectual resources and training competent personnel, and arrange for the reasonable transfer of competent personnel from one unit to another so as to give full scope to the intellectuals' role in the program of socialist modernization.

Our education should be oriented toward the modernization program, the world, and the needs of the future. "We should meet the needs of the modernization program centered on economic construction and keep to serving the purpose of socialist modernization in ensuring the quality of education and in training qualified personnel. In developing higher education, we should open more



avenues to build schools by using a variety of methods and through numerous channels to set up various kinds of schools at all levels. Social organizations, democratic parties, and urban and rural enterprises should be encouraged to invest in development of higher education so as to train a large number of competent personnel in a short time and to produce more scientific research results as contributions to the program of the four modernizations. We should further tap the potentials in the existing institutions of higher learning, enlarge the enrollment of students in those specialized fields that are urgently needed, and establish new specialities as required by our economic and social development. The provincial government has decided to build in Jiangpu County a fundamental-course department for all institutions of higher learning in Nanjing. It has also decided to build a students' apartment in downtown Nanjing. Preparatory work for these two projects are now under way. Cities and counties may likewise build students' apartments in areas where other institutions of higher learning are located. It is necessary to reform the methods for enrolling students and for distributing them to various schools, to enlarge the enrollment of students in certain specialized fields as required, and to increase the number of students to be trained at the request of some departments and units. While paying attention to running the full-time regular institutions of higher learning, we should make all-out efforts to develop TV colleges, vocational colleges, colleges which teach courses through correspondence or periodicals, and night colleges. Further efforts should be made to develop and improve a system for self-taught students to take college entrance examinations so as to encourage learning through self-education and not to stick to one pattern in selecting competent persons. It is imperative to establish more secondary technical and vocational schools and skilled workers schools so as to develop vocational and technical education. In addition, serious efforts should be made to develop kindergarten education, popularize primary and junior middle education according to the plan, and complete the task of eliminating illiteracy. Recently, the provincial government worked out a "Provisional Statute for Popularizing Obligatory Primary Education in Jiangsu Province (Draft)" and a "Provisional Statute for Eliminating Illiteracy in Jiangsu Province (Draft)," both of which will be presented to this session for examination and discussion. Since the key to successful education is to build a high-level teachers contingent, we should strengthen the teachers' education, do well in running various teachers' schools, make vigorous efforts to train incumbent teachers, and go all out to build a contingent of teachers for vocational education. In the meantime, governments at all levels should attach importance to investment in education. This year our province's education budget has increased at a rate higher than the rate of increase of its total expenditure. All cities and counties should likewise appropriately increase their education expenditure. At the same time, all should be encouraged to support the development of education by offering funds, materials, and manpower. We should also call upon various units and the masses to raise funds to develop education and encourage the establishment of private schools. While promoting education and training new personnel, we should make efforts to upgrade the scientific, technological and educational level of our cadres and people. All cadres doing economic work must strive to learn economic management, modern science and technology, and take part in planned rotational training. Factory directors and managers must be given a uniform test, and those who fail will be replaced. Training, testing and evaluating workers' fitness should be intensified. From now on, an enterprise's newly recruited workers must be trained before they are hired, and only those who pass the test will be formally hired. The rural areas must train

their needed personnel according to plan. Each county should draw up its own training program, under which all principal cadres and all types of technicians at the grassroot units will be retrained on a rotational basis. At the same time, we should also train, on a rotational basis, certain educated young people, members of households engaged in specialized production, and capable producers in the countryside, test those who are outstanding, and send them to study in colleges or secondary professional schools, so that they can be given further training and become useful personnel in various areas. In promoting scientific and technical education, we should also encourage the peasants to study independently, and then train the more promising to become technicians.

Governments at all levels must continue to implement the party's policies on intellectuals and take the initiative in creating a social atmosphere of respecting knowledge and intellectuals. We must warmly support the intellectuals' work, strive to improve their working and living conditions, and pay special care to middle-aged intellectuals, so that they can work with single-hearted devotion. While determining the intellectuals' academic and technical titles, we must firmly do away with the concept of seniority, and take bold steps in promoting and commending those who have special skills and knowledge, and who have really contributed in their fields. Cases of discrimination against, and suppression of, intellectuals must be earnestly and seriously handled. Those leading cadres still obstinately resisting the policies on intellectuals, and refusing to implement these policies, must be resolutely replaced. We must also encourage a rational flow of personnel between various departments and regions, as well as between units of different systems of ownership by eliminating the barriers between them, and encourage scientists and technicians to work at where technical strength is inadequate.

While achieving the strategic missions mentioned above, we must also strive to achieve balanced economic development in Jiangsu in the light of the provincial party committee's principle of "taking positive steps to improve southern Jiangsu, and accelerate the development of the north." Southern Jiangsu should make full use of its current material and technological foundation, and take prompt steps to renovate its enterprises with the world's latest scientific and technological know-how, so that its major industries will gradually become more knowledge- and technical-intensive, and so that the economic and technical targets for the major trades, enterprises and products now attained by developed countries can be reached, or surpassed, by 1990. Northern Jiangsu should proceed from its actual situation, fully utilize local resources, and strive to promote multipurpose use of resources and the processing industry to increase the value of its goods. It must build itself into a base, producing such agricultural commodities as foodgrain, cotton, edible oil and pork, a base for the food processing and feed industries, and a basic industrial base, producing coal, non-ferrous ores, power, construction materials, alkaline, and other chemical raw materials. The provincial government has planned to take the following measures to support the development of northern Jiangsu: First, it will support the development of township and town enterprises in terms of financial resources, supplies and tax credits. Secondly, it will develop northern Jiangsu's energy and communications by various means and channels, step up preparations for the construction of the Xinhai, Xuzhou and Yangzhou power plants, and promote construction of power transmission projects. Provincial, municipal and county

authorities must coordinate their efforts in widening the highways and upgrading the sea lanes in northern Jiangsu. Third, while drawing up the Seventh 5-Year Plan and other long-range plans, it will make arrangements to establish a number of major enterprises in various cities in the light of northern Jiangsu's actual situation. For those well-established professions and trades in northern Jiangsu, plans will be worked out to arrange their major technical renovations. Fourth, it will solve the problem of inadequate competent personnel in northern Jiangsu by various ways. In addition to charging schools of higher education to sponsor special projects for training students from northern Jiangsu, the provincial government has also decided to set up a polytechnic college in northern Jiangsu, and give preferential treatment to those scientists and technicians who are willing to work in these four cities, namely Xuzhou, Huaiyin, Liangyugang, and Yancheng. At the same time, we earnestly hope the broad masses of students and professionals will come forward voluntarily, and work wherever they are needed most. Fifth, further efforts will be made to promote economic and technical cooperation between northern and southern Jiangsu. In this connection, relations of multilateral and mutually beneficial cooperation and various types of associations may be established between cities and counties and between different trades. Southern Jiangsu has to assist northern Jiangsu with technology and experience in management and operations, while the latter should open itself to southern Jiangsu and other advanced areas. For the sake of quick development of northern Jiangsu, support from the provincial authorities and from southern Jiangsu is necessary, but what is mainly needed is the self-reliant spirit and hard work on the part of the northern Jiangsu people. Now the vast numbers of cadres and masses are making unremitting efforts to improve themselves, actively forging ahead, and striving to do their work well. This is a fundamental condition for quickening the economic development of northern Jiangsu. It can be expected that northern Jiangsu will gradually become better off in the not-too-distant future.

### III

Premier Zhao's government work report pointed out that in our future economic work we should pay special attention to two major issues: Restructuring the economy and opening to the outside world. This is a major strategic policy decision for carrying out China's program of socialist modernization and an important guarantee for achieving our province's objective of "winning victory for each of the 7 years from now on" and for fulfilling our tasks of 1984.

#### 1. Grasp the Restructuring of the Economy

Restructuring is aimed at upholding the socialist road, overcoming the drawbacks and shortcomings in our present system, and gradually forming a new economic system suited to the conditions of our country so that we can promote the smooth development of our productive forces and build socialism with Chinese characteristics. Now the work of economic restructuring in rural areas has just begun and is continuously advancing. The situation is very good in all fields. There is an urgent need to quicken the pace of economic restructuring in cities. Cities are centers of the economy, culture and education, science and technology, communications and transportation. They represent the main body of the national economy and are places where numerous modern enterprises are located and from



which the state derives 80 percent of its financial revenue. Because of this, it would be impossible to invigorate the national economy if we failed to make a success of the economic restructuring in cities. Now we should put emphasis on cities in restructuring the economy. That is, we should concentrate our energies, strengthen our leadership, and make positive efforts to promote the restructuring of our urban economy.

A. In restructuring the urban economic system, we should completely eliminate the practice of making no distinction between well run and badly run enterprises and between staff members and workers who do more work and those who do less. We should see to it that enterprises will not eat from "the big pot" of the state, nor will staff members and workers eat from "the big pot" of the enterprises. We should do a still better job in arousing the initiative of enterprises as well as their staff members and workers so that the enterprises will become more vigorous.

The second-stage reform, to replace profit delivery with tax payment, should be actively carried out among big and medium-sized state-owned enterprises so as to better handle the relationship between the state and the enterprises in financial distribution. The State Council has decided that starting with the fourth quarter of 1984, this second-stage reform be carried out so that the enterprises will gradually switch to the substitution of tax payment for profit delivery instead of having the two methods in use simultaneously. Measures to be taken are: To appropriately readjust the rate of the product tax, introduce a resources tax, a value-added tax, and several local taxes, and to collect the regulatory business tax, based on differing circumstances, after the income tax is levied, while the enterprises retain their after-tax profits for their own use. The implementation of this method will enable the state to receive a greater part of the enterprises' newly increased income, thus ensuring a steady growth of the state's financial revenue. On the other hand, this method will enable the enterprises to have certain financial resources and power of self-decision in their operations and management and in developing production, thereby giving them more vitality and pushing them to make advances. Now provincial departments concerned are making investigations and calculations so as to be well prepared for the second-stage reform to replace profit delivery with tax payment. We should be fully aware of the vital significance of this reform and resolutely make it a real success. After the switch from profit delivery to tax payment, all enterprises should, through the various forms of the economic responsibility system, link the income of staff members and workers closely with the enterprises' performance and with their personal contributions, thus doing away with egalitarianism in income distribution. At present, it is imperative to reform the measures for issuing bonuses and to reform the wage systems in some units on a trial basis according to the relevant stipulations set by the State Council.

We should promote measures--known as "one contract and three replacements"--adopted by the Yanqiao Township in Wuxi County among small state-operated and collectively-operated enterprises, so that the relationship between state, enterprises and workers can be properly handled. The measures adopted by the township [in] 1983 refer to its system of contracted economic responsibilities, and its measures of replacing the system of appointment of cadres by a hiring system of employment by contract, and the fixed wage system by a floating one.

With these measures, the drawbacks of lifetime tenure for cadres, the practice of "eating from the same big pot," and owning an "unbreakable iron rice bowl" have been eliminated. These measures are not only applicable to enterprises sponsored by townships or towns, they are also applicable to collectively-operated enterprises sponsored by cities and towns, and to small state-operated businesses. Small state-operated businesses offering primarily personal services--such as garment making, repair work, food and drink, haircutting, public bathhouses, laundering and dyeing, hotel services, and so forth--may be leased to the operators on a trial basis, or by contract.

State-operated industrial enterprises should have greater decisionmaking authority, so that their operation will become more vital. According to a State Council decision, the state-operated industrial enterprises' decisionmaking authority will be expanded in 10 respects. This decision is highly significant in arousing these enterprises' enthusiasm, in improving their efficiency and economic performance, and in enlivening the economy as a whole. The provincial government has drawn up specific measures for implementing the decision, and has urged governments and economic departments at all levels and all competent authorities of state-operated industrial enterprises to delegate greater power to enterprises under them. After acquiring greater decisionmaking authority, state-operated industrial enterprises should have a clearer concept of their responsibilities, do their work in down-to-earth manner, and strive to improve their administration so that they can operate more successfully and make still greater contributions to the state. On the other hand, certain enterprises should be selected for experimenting in measures to authorize greater responsibilities for their directors (or managers), with full authority to direct production, operation and administration of their enterprises. At the same time, we must continue to improve the workers' congress system, so that the workers' rights of participating in administering their enterprises can be effectively safeguarded.

B. To reform the system of commodity circulation, we must, under condition that state-operated commercial enterprises play the leading role, support the business undertaking operated collectively, individually, or both, to achieve a rational and coordinated development of various types of commercial undertaking. The original system of commodity circulation, characterized by centralized procurement and supply of commodities according to administrative regions and levels, should gradually be replaced by an open, multichannel system of commodity circulation, with less red tape, so that there will be a socialist, unified market, where urban and rural areas in all regions are linked by a commodity circulation network reaching in all directions.

We shall also build trade centers to reform the existing commercial wholesale operation. Our trade centers will handle wholesale of great quantities, as well as small transactions. They will, in addition to providing their own regular services, act as agents. Economic units, no matter whether they are state, collectively or individually operated, and no matter what region or what department they belong to, may compete with each other in doing business in these centers. While this is a good way to broaden the channels of circulation and expedite commodity circulation, it is also a good way to promote production and marketing of commodities, and to remove the barriers between different regions

and trades. Since its inauguration 3 years ago, the Xuzhou Trade Center has achieved phenomenal success, with its trade volume reaching 8 billion yuan. The Beitang Foodgrain Company, newly opened in Wuxi, and the foodgrain exchanges in various localities are also good ways of establishing foodgrain trade centers. Similar methods can be applied to the circulation of other agricultural and sideline products. The provincial government hopes that various types of trade centers will be established or expanded in all cities and areas, which are distributing centers of agricultural and sideline products. All industrial goods and agricultural and sideline products, with the exception of those to be transferred, requisitioned, marketed or reserved under a unified state plan, can be freely purchased or marketed in these trade centers or wholesale markets. The provincial government has also decided that all provincial grade two stations or subcompanies handling procurement or wholesale of industrial goods will be transferred to the administration of various cities, which will then connect the links of production, commodity circulation and consumption by amalgamating these stations and subcompanies according to their nature, and exercise unified control over them.

To cope with and promote the development of our rural economy toward large-scale commodity production, continued efforts are being made to reform the system of supply and marketing cooperatives in a deepgoing way. The basic requirement in this reform is to break with the conventional rule that supply and marketing cooperatives should be "run by the government" or virtually "run by the government." The key task here is to encourage more peasants to become shareholders without limiting the number of shares that they may have in their possession, thus closely linking the cooperatives' undertakings with the economic interests of the peasants. The shareholders should be entitled to receive both interest and dividends instead of merely interest as in the past. It is necessary to completely reform the labor and personnel system of supply and marketing cooperatives. The system of appointing cadres should be replaced by an election system. New staff members and workers should, in the main, be recruited from the countryside. A work contract system should be introduced to supersede the work assignment system. Cadres should be able to work at higher or lower levels, and staff members and workers may be recruited or dismissed as required. In the distribution of income, it is necessary to do away with egalitarianism, to link the results of the cooperatives' operations with the economic benefits of the staff members and workers, and to institute for trial purposes a wage system combining fixed wages and floating wages. Only when we have solved all these practical questions can we give full scope to the initiative of the broad masses of peasants in running supply and marketing cooperatives and completely restore the nature of such cooperatives as commercial units collectively owned by the peasants. Only thus can the cooperatives gradually become comprehensive service centers in rural areas and play their role to the fullest in promoting commodity production and exchange. Similarly, rural credit cooperatives should be developed into real cooperative banking organizations of the masses.

C. We should restructure the managerial systems of the building industry and of capital construction and substantially increase returns on investment. It is necessary to correct the general problems of the building industry at present, such as the long construction cycle, the high rate of consumption, huge waste,

and technical stagnation. The key to correcting these problems is the introduction of the systems of investment responsibility and public bidding. With regard to the management of capital construction, we must simplify the procedures for examining and approving construction plans and delegate this power to the lower levels so as to reduce the number of intermediate links and raise efficiency.

Our province has a relatively developed building industry. In particular, collective construction enterprises account for a significant part of the construction enterprises in the province. Fruitful results have been achieved by collective construction enterprises in implementing the contract responsibility system. We should sum up and popularize their experience. To carry out overall reform in the building industry, we should put into practice the method of "selecting the best design, inviting tenders and awarding contracts for construction work, and supervising the quality of the work done." With regard to capital construction projects and big technical improvement projects managed in the same way as capital construction projects, it is essential to gradually popularize the system of investment responsibility. Contracts for investment responsibility should be signed between the units building the project and the departments in charge of the project, covering such details as the amount of investment, the period of construction, the quality of work, the quantities of principal materials to be used, and the comprehensive production capacity of the finished project. For all projects where repayment is possible, financial appropriations should be replaced by bank loans in accordance with the principle of compensation for the use of funds. We should replace the previous method of assigning construction work by administrative measures with the system of inviting tenders and awarding contracts. Construction enterprises should change the method of fixing the total amount of wages on the basis of the number of workers. They should instead introduce a responsibility system by fixing the amount of wages for every 100 yuan worth of finished work. At the same time, they should implement a labor system which covers regular, contract, and temporary workers and should gradually reduce the proportion of regular workers. Rural building teams should be allowed to come to cities to take part in public bidding and undertake construction work on a contract basis. The current method of allocating construction materials, along with investment, to the recipients of construction projects, should be replaced by allocation of those materials to local departments responsible for the projects, or to construction corporations handling construction projects. Design work should be reformed, irrational design regulations should be revised and replaced by new standards. Design units should gradually be socialized and become enterprise-type units. The system of technical and economic responsibility must be firmly upheld, in order to arouse the designers' enthusiasm and creativity. The system of investing in construction of urban housing and public buildings should be reformed and replaced by comprehensive development and construction projects. Gradual steps should be taken to turn living quarters into commodities to be sold to units or individuals. Various ways and means should also be explored to solve the urban residents' housing problem. Production of construction materials should be energetically promoted in the rural areas, corporations handling supply of complete sets of equipment should be established at various levels, and the methods of Wuxi County and Gaogou Township in Lianshui County, which undertake construction projects and provide the needed labor and construction

materials according to contract, should be promoted, in order to meet the need to improve living conditions in the rural areas. During the course of reform, we must intensify quality control, making sure that all requirements concerning construction designs, materials and quality are met.

D. While settling the relationship between state, enterprises and workers, we should gradually coordinate various applicable measures of reform, so that they can be carried out simultaneously.

The purpose of our entire economic reform is to properly coordinate the relationship between various quarters, so that production can be developed with better economic results. To attain this objective, we must carry out all projects of reform simultaneously in all quarters in a coordinated manner, and not just individual projects in certain departments. The provincial government has already worked out regulations regarding the reform of the planning system, releasing authority for approving capital construction projects, utilizing foreign capital and importing technology from abroad, and transferring the provincial commercial bureau's grade two stations in charge of procurement of industrial goods to the administration of various cities. It will continue to study the feasibility of giving further authority to lower-level departments in other areas. Various provincial, municipal and county departments must also transfer more authority to lower-level departments.

In the course of urban reform, we shall, on the basis of summing up the experience of Changzhou, a city chosen for trying out comprehensive administrative reform, conduct a similar pilot project in Nanjing. The project has been submitted to the State Council for examination and approval. Since Nanjing is a provincial capital, and a big city on the lower reaches of the Changjiang, we shall strive to achieve a coordinated and all-round development in Nanjing in the areas of production, circulation, distribution, and consumption of commodities, as well as in its scientific and technological development, by reforming its business administration, and its planning, circulation and financial systems, as well as its wage system.

E. We shall, while reforming the economic system, actively reform our educational and scientific research systems. Institutes of higher education must fully implement the party's educational policy, earnestly emulate, and adopt, the Shanghai Jiaotong University's experiences in reforming its administration, and broaden their decisionmaking authority, to integrate teaching, scientific research and production. The provincial party committee and government have designated the Nanjing Institute of Engineering to try out the pilot project of carrying out overall reform and set an example for other institutes of higher education in Jiangsu, and charged it to achieve a breakthrough in reforming its administration, labor and personnel management, recruitment of new students, distribution of graduates, and management of financial affairs, so as to give impetus to the development of reform in other institutes of higher education. We must also expedite the reform of general education, restructure secondary education, and reform its administration. In reforming the administration of scientific research departments, we must firmly implement the new policies for scientific and technological work, which must geared to the needs in economic construction, in training more competent personnel, in achieving greater

scientific and economic successes and social effects. Research units engaged in technological development and application should gradually adopt a system of charging their services in fulfilling their responsibilities stipulated in contracts they conclude with other departments. Within the institutes, they should contract out their various research projects to researchers. In future, they should also be responsible for their budgets, which are now defrayed under the category of state projects. The provincial Hormone Research Institute has geared its research work to the development of production, raised its own funds, and undertaken responsibility for its own profits and losses. It has recruited contract workers on its own and put into practice a floating-wage system for its cadres, staff, and workers based on their actual job performance and capabilities. This has brought into play the initiative and creativity of all scientific and technical personnel as well as staff and workers in the institute. Using the additional income, the institute has expanded its scientific research building and bought more apparatus and equipment. Units of a similar nature may take advantage of this institute's experience to persistently consolidate and improve themselves in the course of practice. Other types of research institutes should carry out reforms according to their actual situations. Of late, the provincial CPC committee and the provincial government have decided to designate the provincial Academy of Agricultural Sciences and the provincial Botanical Research Institute as two experimental units to conduct all-round reforms so that more experience will be gained from their experiments which will then be used to promote the restructuring of all scientific research units in the province. Social science research departments and literary and art units should also make positive efforts to reform themselves to meet the needs of the new situation.

The key to successful reforms lies in the leadership at all levels. In our province, leading cadres of the provincial government and all competent departments at the provincial level should, first of all, further emancipate their minds, know the current situation well, raise their level of understanding, overcome the "left" influence, break through the confines of old habits, straighten the guiding thought for their work, and act as promoters for reform. It is imperative to resolutely implement the series of instructions and decisions of the party Central Committee and the State Council and see to it that starting from the provincial level efforts are made to simplify administrative procedures and delegate powers to lower levels. At present, authorities at all levels should delegate powers to lower-level units; only thus is it possible to simplify administrative procedures. Ideological and political work should be strengthened, and real efforts should be made to solve the ideological and practical problems encountered in the course of reform. It is essential to proceed from reality, carry forward the spirit of daring to probe and practice, warmly support lower-level and grassroots units in making reforms, help them study new situations and solve new problems, continuously sum up experiences so that the work of reform will be pushed ahead.

## 2. Grasp the Work of Opening to the Outside World

To open to the outside world is our country's major strategic policy decision in developing the economy during the new historical period. It is imperative for us to comply with the guideline of the leading central comrades' instruction



that in implementing the policy of opening to the outside world we should press ahead with it, not retreat from it. We should actively proceed with economic cooperation and technological exchange with foreign countries on the principle of equality and mutual benefit while upholding the basic guideline of independence and self-reliance. We should make use of domestic and foreign resources, further explore markets at home and abroad, and learn how to organize the work of domestic construction and develop our foreign economic relations. Since Jiangsu is a coastal province, there is an urgent need for us to do well in this respect. In the past few years, our province has done a great deal of work and registered some progress in the utilization of foreign capital, importation of technologies, expansion of imports and exports, and other activities in developing foreign economic relations. However, our work has not been flexible enough, the pace has not been quick enough, a number of problems have as yet to be well resolved--all these are not in keeping with the needs of our four modernizations program. Based on the experiences we have summed up, we should make full use of the favorable conditions in our province to open up a new situation in carrying out the policy of opening to the outside world.

Nantong and Lianyungang are 2 of the 14 coastal cities that the State Council has decided to open to the outside world. Success in opening these two cities to the outside world is bound to have a positive impact on accelerating the economic growth of both our province and the interior of our country. Nantong and Lianyungang are two new developing industrial port cities, each with a certain foundation for developing the economy. Their geographical locations are good in that they can obtain the materials required for their economic development from the vast areas of the hinterland, and they have rather convenient transportation facilities and rich natural resources. Because of this they have immense potential for development. At present, based on their respective favorable conditions, these two cities should draw up feasible plans and make the necessary preparations for opening themselves to the outside world. In utilizing foreign capital and in importing foreign technology, we will put the stress on renovating our old enterprises by importing new technological know-how and replacing some key equipment so that we can produce some top-notch goods with distinctive provincial characteristics. At the same time, we will also take positive steps in developing new industries and will skip certain stages of traditional development in certain spheres. Each of the two cities must designate an area of conspicuous regional distinction and step up preparations for developing them into economic zones. They must step up construction there of such basic facilities as piers, berths, warehouses, power and water supply systems, and a communications network, and must improve their communications and transportation conditions and port facilities in order to meet the needs in opening our province to the outside world. In these two cities, we will carry out certain special policies reserved for special economic zones and give them greater decisionmaking authority. When foreign businessmen invest and set up factories in the special economic zones, they may enjoy certain preferential tax credits in accordance with the relevant regulations. The two cities will also have greater authority in examining and approving projects of utilizing capital and importing foreign technology, in simplifying the exit and entry formalities for foreign businessmen, in allowing foreign businessmen to set up corporations with private capital, and in appropriately extending the duration of cosponsorship for joint ventures. For those enterprises which really have

taught us advanced technology in manufacturing their goods, we will allow them to market part of their products on the domestic market. The two cities must act as forerunners in reforming the economic administration system. In accordance with the successful experiences gained by the special economic zones, the two cities should gradually institute systems governing contracted employment of workers, the hiring of staff workers for their enterprises, floating wage rates, administrative duties, public bidding on and contracted responsibilities for construction projects, and so forth. They should also select a number of sensible personnel to take charge of such tasks. In particular they should, select a large number of people and train them as specialists highly proficient in international economic affairs, trade, financial affairs as well as in scientific and technological affairs. Projects drawn up by the two cities will be carried out step by step after they have been approved by the State Council.

Utilizing foreign capital, importing foreign technology, and expediting the technical renovation of our medium-size and small enterprises are strategic policy decisions that must be made to meet the challenge of the new technical revolution and to narrow our economic and technological gap with developed countries. We must relax our policies, broaden our views, act boldly, and do away with the conventional ideas that only large and medium-size state-operated industrial enterprises are eligible to import foreign technology. From now on, not only may all industrial enterprises import foreign technology, but all agricultural and forestry, commercial, scientific research, and cultural and educational units may also do likewise; and not only may state-operated enterprises and enterprises sponsored by townships or towns may also do the same. We must continue to simplify administration, transfer more power to lower-level departments, simplify all types of formalities, and authorize various cities to approve \$2 million, \$3 million or \$5 million when requested by various trades and professions which are in need of foreign capital to import technical know-how, including the necessary equipment. All units, whether state- or collectively-owned, may apply for credits to import foreign technology. In principle, a loan should be repaid by whoever borrows it. For those enterprises which have produced conspicuous social effects but which have difficulty in repaying their debts because profits generated from their operation are minimal, competent city authorities should help solve the problem by rescheduling payment or by pooling other resources. While importing foreign technology, it is also essential to import some technologically advanced equipment, but we must be sure that we can digest and absorb them. Emphasis must be placed on importing more software so as to consolidate our technological foundation, make our enterprises more efficient and upgrade their products, so that their output can be more competitive on the international market.

To open to the outside world, we must continue to promote our foreign trade. As commodity production is relatively developed in the province's rural areas, and the province's industry is primarily processing-oriented, most of its industrial and agricultural goods are sold on foreign and domestic markets. In future, we must think of every possible way to expand our exports, so that our production can develop even faster. While expanding exports, we must strive to exert continued efforts on expanding exports of profitable commodities, which can be produced at low cost, in order to curtail export losses. Foreign trade departments must keep a close watch on information about the international market,



take active steps to readjust product mix, and increase exports of profitable goods. They must support the development of production, and sign contracts with various producers, in accordance with the needs of world market. For commodities, other than those produced under contract, they should assist their producers in exporting them through other ports. They must also strive to improve their administration, cut red tape and lower their service charges. On their part, the producers must make an effort to improve the quality of their goods, increase variety, and lower production costs, so that their products can be more competitive in earning foreign exchange. Departments in charge of trading of industrial and agricultural goods must exert concerted efforts to do a good job in increasing revenue in foreign exchange by expanding exports. We must also restructure our foreign trade system, and step up integrating foreign trade with production of industrial goods and importation of foreign technology. Foreign trade departments should gradually separate their administrative branches from enterprises [wai mao xi tong yao zhu bu shi xing zheng qi fen kai 1120 6319 4762 4827 6008 6632 2975 1395 5887 2398 0120 0433 7030], and all import-export corporations and joint corporations should gradually become specialized or socialized economic entities, operating independently and holding themselves responsible for profits or losses.

Fellow deputies! Since the beginning of 1984, our province's industrial and agricultural production has maintained a good momentum of development, our province's revenue has reached a record high, and new headway has been made in various other fields. However, there are still a lot of problems and many difficulties ahead of us. We must therefore remain sober-minded, modest and cautious, guard against arrogance and rashness, and work conscientiously and diligently. Inspired by the guidelines set out by the Second Session of the Sixth NPC not long ago, the broad masses of cadres and people throughout Jiangsu have been highly enthusiastic about reforms, and have become increasingly aware of the need for reform. Such being the case, we must, in the light of the actual situation in our own regions, departments and units, continue to earnestly study Premier Zhao's "Government Work Report," so that our thinking and work will become more compatible with the needs of the new situation. We must seize this opportune moment to work in a down-to-earth manner in carrying out reform, and in opening our province to the outside world. Let us unite as one, work with one heart and one soul, and struggle to fulfill or overfulfill this year's national economic development plan, to seize the victory of the first of seven campaigns, and consolidate and develop the already gratifying situation!

CSO: 4006/657

## PROVINCIAL AFFAIRS

### GUANGDONG ISSUES GOVERNMENT WORK REPORT

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[Government Work Report delivered by Governor Liang Lingguang of Guangdong on 25 June, 1984, at the Second Meeting of the Guangdong Provincial People's Congress: "Promote Open-Door Policy and Reforms and Strive to Create a New Situation in Socialist Modernization"--passages within slantlines published in boldface]

[Text] Fellow deputies:

On behalf of the Provincial People's Government, I now submit a report on the work of the government for your approval.

#### I. A General Picture of the Work in 1983

In 1983, under the leadership of the CPC Central Committee, the State Council, and the Guangdong Provincial CPC Committee, our province continued to implement the principle of readjusting, restructuring, consolidating, and improving the national economy and the principle of opening the country to the outside world and revitalizing the domestic economy. In addition, with economic construction as the central task, we also persistently paid simultaneous attention to construction of the material and spiritual civilizations. With the efforts of the people of various nationalities of the whole province, we have fulfilled all the tasks assigned by the previous provincial people's congress. The situation is steadily improving.

/A sustained growth of the national economy coupled with rapid progress in building the key construction projects./ Last year, the gross annual industrial and agricultural output value was 45.5 billion yuan, up 9.6 percent. Of this, the gross agricultural output value rose by 4.5 percent and the gross industrial output value by 12.3 percent.

In spite of grave natural calamities, agricultural output and the revenue from it increased. We hit an all-time high in the output of grain, fruits, aquatic products, and tea, with the exception of some industrial crops, whose output decreased. Compared with the previous year, forestry, animal husbandry, and sideline production grew in terms of output value. In the rural areas, a great number of specialized households and all kinds of new integrated economic bodies emerged. They comprehensively developed exploitive production. Commodity production developed rather rapidly. All this presented a picture of prosperity.

Industrial production continued to develop at a rather rapid pace. In light industry, production of marketable products developed and the varieties and designs of goods increased. New achievements were made in meeting the people's growing demand for consumer goods. The services rendered by heavy industry were constantly reoriented and the product mix was readjusted. The development of coal industry, power supply, iron and steel industry, the production of rolled steel, the production of cement, and other energy resources and raw materials industries was speeded up. The economic results of the industrial and communications enterprises improved. The profits of those state-owned industrial enterprises which come under the provincial budget and the total amount of tax imposed on the products sold by them increased by 12.1 percent, the number of enterprises with deficits decreased by 20 percent, and the total amount of deficits decreased by 21.3 percent.

A total of 3.84 billion yuan was invested in capital construction, 2.4 percent up from the previous year. In compliance with the spirit of the State Council's principle about controlling the scope of capital construction and ensuring the building of the key construction projects, we either suspended or slowed down the building of a number of projects. On the other hand, we quickened the pace of the construction of a number of key projects in the spheres of communications and energy resources. We began to invite tenders for building the capital construction projects and the investment results improved.

/The market was brisk, there was an abundant supply of commodities, the prices were basically stable, financial revenue increased, and the people's livelihood continued to improve./ The total volume of the retail sales for social commodities throughout the province was 22.5 billion yuan, an increase of 10.9 percent over the previous year. A series of reforms were carried out to transform the commodity circulation system. The number of channels and networks increased and business was done in a flexible manner. There was an abundant supply of industrial products in the rural and urban markets and the supply of fish, meat, domestic fowls, eggs, vegetables, and other non-staple foodstuffs became more abundant. The market was brisk even in the dull season. Compared with that in the previous year, the overall price index went up by 0.7 percent, a smaller increase than the average increase in the price indices in other parts of the whole country. In addition, it has been the smallest increase for our province since 1979.

The financial revenue totaled 4.389 billion yuan, an increase of 9.3 percent over the previous year. Revenue and expenditure were in balance. As a result of economizing, there was a small surplus. The two tasks of pooling funds for building the key construction projects in the spheres of energy resources and communications and purchasing state treasury bonds, which were assigned by the state, were fulfilled. The living standard of the urban and rural populations further improved. The average annual per capita income of the households of workers and staff members in the province which can be used for living expenses was 680 yuan, an increase of 8.7 percent over the previous year. The average annual net income per capita for peasant households was 396 yuan, an increase of 3.7 percent over the previous year. The total amount of savings deposits in the urban and rural areas was 7.99 billion yuan, up 31.6 percent.

/Foreign trade and economic and technological cooperation continued to develop and foreign investment was utilized with remarkable results./ The actual total volume of the export of goods produced by Guangdong was \$2.08 billion, up 3.6 percent. The number of large projects and productive projects built with foreign capital increased. The import of advanced technologies with foreign capital also grew. Investment by Overseas Chinese increased. The number of contracts signed by the province with foreign businessmen increased by 38.6 percent. In 1983, a total of \$400 million of foreign capital was utilized. In other words, there was a 44.9 percent increase. The processing of products and the assembling of machines for foreign businessmen or enterprises and compensation trade grew by 25.7 percent. Tourism flourished and the number of services provided by us increased. The total number of people entering the country by way of Guangdong's ports was 8.55 million, an increase of 20.8 percent over the previous year. The total number of foreign tourists, Overseas Chinese, and the tourists from Hong Kong, Macao, and Taiwan received by the departments in charge of tourism was 1.19 million and the foreign exchange income from tourism totalled \$112 million. New progress was made in the administration of Overseas Chinese affairs.

/The building of the special economic zones and the development of Hainan Island were accelerated./ The amount of money invested in capital construction in the Shenzhen Special Economic Zone was as much as 880 million yuan, an increase of 40 percent over the previous year. Shekou has been built into a modern industrial zone. The construction of the new downtown areas of Luohu and Shangpu was basically completed. The helicopter parking lot in Chiwan Port and the berths capable of berthing ships with a displacement of 10,000 tons were also completed. A new, modernized city was beginning to take shape. The pace of economic development was quickened. Compared with figures for the previous year, the gross industrial output value grew by 99 percent and the financial revenue grew by 53 percent. The livelihood of the people in the special zones improved remarkably and there were tremendous changes in people's spiritual life. There was good public order in the border areas and social customs gradually improved. Great achievements were also made in building the Zhuhai Special Economic Zone. In the Shantou Special Economic Zone, on a vast expanse of sand dunes, the first phase of the construction of capital facilities and all-purpose factory buildings was completed. Encouraging progress was made in the construction and development of Hainan. The building of the key construction projects in the areas of energy resources, communications, and telecommunications was speeded up. The gross industrial and agricultural output value grew by a rather wide margin and the market began to thrive.

/The structural reform of the organs at provincial, prefectural, and cities levels was basically accomplished and the structural reform of the organs at county level was being gradually carried out./ The number of departments under the provincial government dropped from 73 to 41 and the organs at prefectural and city levels were [words indistinct] departments at provincial, city, and prefectural levels were also consolidated. For many years, the members of the leading bodies have held many other posts concurrently and had other commitments and the cadres have always been old people with little education. The state of things began to take a turn for the better. With the approval of the State Council, four prefectural commissioner's offices, namely the Foshan Prefectural

Commissioner's Office, the Shantou Prefectural Commissioner's Office, the Shaoguan Prefectural Commissioner's Office, and the Zhanjiang Prefectural Commissioner's Office, were abolished, a number of counties were placed under the jurisdiction of 9 cities, and an administrative system which is favorable for linking up the urban and rural areas and for allowing the cities to lead the rural areas was tentatively instituted. In addition, the separation of government administration from commune management and the institution of district and township governments were basically accomplished.

/Progress was made in science, education, culture, public health, and sports./ Science and technology were geared to the needs of economic construction and a number of achievements were made. The province was given prizes for 144 fine scientific or technological achievements. In many parts of the province and in many departments, great attention was paid to the application and popularization of microcomputers. This is of far-reaching significance to raising the enterprises' standards of automation in production and to the modernization of management. Progress was made in popularizing science in the rural areas. Educational undertakings developed more rapidly than before and investment in education steadily increased. The masses and Overseas Chinese were enthusiastic about donating money or pooling funds for establishing schools. A number of secondary and primary schools were built and Shantou University, Shenzhen University, and Hainan University were founded. The number of students enrolled in the schools was the greatest since the founding of the country. Adult education and vocational education developed tremendously. Primary education was popularized in 60 percent of the cities and counties. The quality of education improved and spirit and discipline of the schools took a turn for the better. Preliminary reform and consolidation of the medical and public health units were carried out and the quality of medical service and the medical workers' attitude in serving people improved. Great efforts were devoted to checking population growth and new achievements were made. A total of 3.37 million sterilization operations were performed throughout the province. Guangdong sportsmen won 30 gold medals at international sports meets and another 80 at national sports meets. At the Fifth National Games, contestants from Guangdong won the greatest number of gold medals.

/Great achievements were made in building spiritual civilization./ By way of the "five stresses, four beauties, and three loves" drive, the drive jointly launched by the army and the people to build civilized units, and the drive to emulate Zhu Boru, Zhang Haidi, An Ke, and other progressive people or heroes, we gave the people an education in collectivism, patriotism, socialism, and communism. There were many good deeds and good people who love the country and the collectives, who embody unity and brotherhood, and who sacrifice their own interests for the sake of others. Social customs took a notable turn for the better. Literature, the arts, the press, publications, radio, and television further developed. They played an important part in strengthening the building of socialist spiritual civilization, in enriching people's cultural life, and in combating and resisting spiritual pollution.

/The legal system was further strengthened and public order took a notable turn for the better./ The province strengthened the building of the legal system and comprehensively improved public order. Public order steadily improved. In the

light of the "Resolutions on Severely Punishing the Criminals Who Gravely Jeopardize Public Security" adopted by the second meeting of the Sixth NPC Standing Committee, the province waged a struggle in order to deal a heavy blow to serious criminal activities. Those criminals who gravely jeopardized public security and the safety of the people's property were harshly punished according to law. The arrogance of the criminals was punctured. As a result, we won the warm support of the masses. We have persistently cracked down on serious economic crimes and comprehensively combated smuggling. Outstanding achievements were made in this regard.

Since the beginning of the year, our economic work has gathered tremendous momentum. In agriculture, we have promptly fulfilled the tasks of spring ploughing and transplanting. There has been an enormous increase in the area of land devoted to the growing of hybrid paddy. The area of land devoted to the cultivation of sugarcane, peanut, soya bean, jute, bluish dogbane, and other industrial crops is greater than that of last year. Industrial production is steadily growing and economic results have remarkably improved. The total amount of industrial output value created from January to May was 13.65 billion yuan, an increase of 10.8 percent over the same period in last year. The output value created by the state-owned industrial enterprises increased by 6.5 percent, their profits increased by 24.6 percent, the amount of profit delivered to the state increased by 2.6 percent, the number of enterprises with deficits decreased by 25 percent, and the total amount of deficits decreased by 44.3 percent compared with those in the same period last year. Circulation has been further enlivened. Fair trade thrived, there was a plentiful supply of commodities in the urban and rural markets, and prices were stable. Compared with that in the same period last year, the volume of retail sales for social commodities went up by 9.5 percent. The financial revenue yield was 1.948 billion yuan, an increase of 12.1 percent over the same period of last year. In this way, we have laid a solid foundation for fulfilling and overfulfilling the yearly national economic plan.

Fellow deputies, once again our achievements have shown that the line, principles, and policies adopted by the 3d Plenary Session of the 11th CPC Central Committee and the 12th CPC National Congress are absolutely correct. Our achievements are a result of our persistent and unswerving implementation of the principle of opening the country to the world and revitalizing the domestic economy. The adherence to, and the enforcement of, special policies and flexible measures, and the comprehensive and thorough execution of various reforms. In addition, they are the fruit of the arduous labor of the province's workers, peasants, intellectuals, and cadres and the triumph of the unity between the army, the government, and the people! The Overseas Chinese and the Hong Kong, Macao, and Taiwan compatriots have made new contributions to the construction of the motherland and their hometowns! Here, on behalf of the Guangdong Provincial People's Government, I extend our respects and express our sincere thanks to the comrades on various fronts, the commanders and fighters of the people's liberation army, the patriots from various quarters, the Overseas Chinese, and the Hong Kong, Macao, and Taiwan compatriots!

While affirming the achievements, we should also see the problems and difficulties in our work at the same time. Compared with our advanced brother provinces



and cities, we still have a long way to go, our minds have yet to be emancipated, the reforms are being carried out at quite a slow pace; there is an absence of overall planning for the implementation of the strategic measures leading to the attainment of the goal of quadrupling the industrial and agricultural output value; economic results are improving rather slowly, not enough attention is being devoted to overcoming the weaknesses of our national economy; and, in particular, there is a shortage of raw materials and energy supply and the communications facilities are overtaxed. Consequently, economic development is gravely confined. In addition, the scientific and technological education given to gifted people does not suit the needs of economic construction; economic development is not balanced, the mountain areas and the areas inhabited by minority nationalities are still quite backward and poverty-stricken; we have not devoted enough efforts to summarizing and popularizing our own advanced experience or to learning from the advanced experience of the brother provinces and cities; bureaucracy remains quite a serious problem; and our methods and styles of work cannot meet the demands imposed by the work in the new period. We must study and improve or solve all this.

## II. Open Further in Order to Promote Economic Construction

Comrade Deng Xiaoping pointed out: "In establishing special zones and in pursuing an open-door policy, one guiding idea must be made clear, that is, we are not to restrict, but to open wide." In his government work report to the second meeting of the Sixth NPC, Comrade Zhao Ziyang pointed out that the task of continuing to push forward economic construction still remains the central task among all tasks. In economic work, it is necessary to pay special attention to structural reform and opening the country to the world. Comrade Xiaoping's instructions and Comrade Ziyang's report have pointed out the way in which we should properly do our work and they are endorsed by the people of the whole country. We should resolutely implement them on the basis of the actual circumstances in Guangdong.

Since the day Guangdong implemented the special policies and the flexible measures, the situation has become increasingly better each year. However, the situation also demands action and we are confronted with a new test. 1. By opening 14 coastal cities to the world, the country is to accelerate the utilization of foreign capital and the import of advanced technologies. In this regard, can our province advance ahead of others? 2. The country is quickening the pace of the reforms. With the implementation of document No 1 issued this year by the CPC Central Committee, the rural reforms have developed in depth. The urban reforms should keep pace with them. Can the leaders of various departments adapt their thinking and methods of work and the policies and measures they adopt to all this? Will they strive to push forward the reforms? 3. A worldwide technological revolution is under way. Can we find out on time the ways to deal with the situation? Can we adopt measures on time to bring about a leap in economic development? Confronted with the above challenges, we must rouse ourselves, rise with force and spirit, and be good at devising strategies. We should, with a down-to-earth style of work, make new achievements in order to give positive answers to the above questions. This year, the work of the government should be focused on the structural reform and opening the country to the world. Our goal is to promote technological advance, economic construction, and other areas of work by way of the structural reform and the open-door policy, to give further play to the province's exceptionally favorable conditions, and to create a new situation.

By now, the issue of opening the country to the world has become a major issue in the economic work of the whole country. Doubtless it is of greater importance to our province than to others. We should give full play to Guangdong's advantages of being situated close to Hong Kong and Macao, of the great number of Overseas Chinese from Guangdong, and of its early start in opening itself to the world and, in accordance with the arrangements made by the State Council, devote great efforts to further opening the country to the world. With production and construction as the central tasks, the whole province should give impetus to the rapid development of economic construction by opening itself to the world, attain ahead of schedule the amount of gross industrial and agricultural output value fixed in the "Sixth 5-Year" Plan, and strive to attain ahead of schedule the strategic goal of quadrupling the gross industrial and agricultural output value. At present, in regard to the open-door policy, special attention should be paid to the work in the following areas:

/First, make a success of the construction of the forward areas, that is, the three special economic zones (Shenzhen, Zhuhai, and Shantou), the two cities (Guangzhou and Zhanjiang), and one island (Hainan Island), of the part of the province to be opened to the world./ It is necessary to build the three special economic zones more quickly and more satisfactorily. We should, according to the principle of "adopting special measures to do special work, finding new ways to tackle new problems, and adopting new methods without changing our stand," constantly summarize experience, further reform various systems, constantly blaze new trails, enthusiastically devote greater efforts to the introduction of foreign capital and the import of advanced technologies and facilities, and quicken the pace of construction in order to build the special zones into show-cases for technology, management, knowledge, and foreign policy.

It is necessary to accelerate the transformation of the urban districts of Guangzhou, Zhanjiang, and the Shantou and Zhuhai Special Zones into new and open coastal cities. It is necessary to draw up plans properly, boldly exercise the authority delegated by the central authorities, boldly enforce their policies, make the best use of foreign capital, earnestly do a good job of the import of advanced technologies, accelerate the technical transformation of the existing enterprises, make the building of the zones for economic and technological development a success, properly restructure industry, properly reform the management system, and to make new contributions to the causes of expanding foreign trade and economic relations, transferring advanced technologies to the mainland, providing advanced facilities, popularizing the experience in scientific management, training gifted people for the country, and of making the market thrive.

Hainan Island should earnestly implement the principle of promoting development by way of opening the island to the world, pay close attention to drawing up an overall plan for the economic development of the island, do a good job of the building of those badly needed construction projects, enthusiastically carry out economic cooperation with foreign countries, and strive to improve the economy of the island in a short time.

The Zhujiang Delta is the richest and most populous area in Guangdong. One of its advantages is that it is situated close to Hong Kong and Macao and that many



Overseas Chinese are from this area. We should apply special policies and flexible measures. We should, with Guangzhou as the center, with Shenzhen and Zhuhai as inlets, with the small and medium-size cities as the backbone, with the rural areas as the hinterland, and with the South China Sea oilfield as a backing force, build an open, comprehensive economic network and quicken the pace of development. We should build the Zhujiang Delta into a socialist hometown of Overseas Chinese in which conditions are favorable for investment, the introduction of foreign and Overseas Chinese capital, the import of advanced technologies, the conveyance of knowledge, and the recruitment of gifted people; into an economically and culturally developed pioneering area capable of bringing about the realization of socialist modernization and taking the lead in becoming rich; and into a convincing example in pursuing the open-door policy. And then, we can help the mountain areas and other areas and give impetus to the economic development of the whole province.

/Second, vigorously develop the economic and technological cooperation and exchange with foreign countries, more unreservedly introduce foreign and Overseas Chinese capital, import advanced technologies and facilities, relate experience in scientific management, and recruit gifted people./

In order to introduce or import anything, it is necessary to summarize experience. On one hand, it is necessary to give a free hand to those responsible for introducing or importing things. On the other, it is also necessary to lay down overall plans and to pay attention to economic results. It is necessary to make the policies less restrictive and to enthusiastically help various localities and units speed up the import of advanced technologies. In order not to adversely affect their work, we must not impose restrictions. The foreign capital introduced should be spent principally on building productive projects. We should lay special stress on improving energy supply and communications, transforming old enterprises, and developing new industries. At the same time, we should also pay close attention to spending the capital introduced on the development of agriculture, forestry, and animal husbandry and the exploitation of aquatic resources. Introduction should be closely combined with production, construction, and technical transformation carried out locally. In addition, it should also be closely combined with the overall technical transformation of various industries aimed at the attainment of the technical capacities of the advanced countries of the world. In this way, we can speed up the technical transformation of traditional industries and gradually remedy the situation that the industrial facilities are obsolete, techniques backward, and technological levels low. In addition, we can strive to make the technological levels of the key industries in our province, the quality of the key products produced by our province, and the technological levels of the industries of Guangzhou, Foshan, Shenzhen, Zhuhai, and Shantou in the early 1990's basically equal to those achieved by the economically developed countries in the early 1980's.

It is necessary to gradually restructure the industry of our province by importing new technologies and by developing new industries. We should try our best to skip some traditional stages in industrial development, import and apply new technological achievements made by foreign countries, and develop those new, knowledge-intensive industries with low consumption rates of energy resources and raw materials. It is necessary to lay special stress on the development of

data industry, to consider the development of electronic products and the application of microcomputers to be starting points, and to enthusiastically popularize and apply data processing, bioengineering, new energy resources, new materials, and new technologies in order to facilitate technical progress in all aspects of the national economy.

In regard to the forms of the introduction of foreign capital and the import of advanced technologies, on one hand, it is necessary to continue to develop "san lai yi bu" [0055 0171 0001 5943--Three sources and one compensation, that is, the processing of materials for foreign businessmen under three conditions and compensation trade], joint ventures, and cooperative production and to selectively permit the establishment of enterprises run exclusively by foreign businessmen or under sole proprietorship. It is necessary to strive by all means to import some most advanced technologies and large projects but not at the expense of those small and medium-size projects badly needed by the country. It is necessary to rationally spend the foreign exchange retained by the province and to ensure that the key technical transformation projects are completed on schedule. In utilizing foreign and Overseas Chinese capital and in importing technologies, it is necessary to implement the policy of giving preferential treatment according to the relevant regulations formulated by the state and the province, to formulate and perfect the regulations, and to simplify the formalities in the course of examination and approval, and to permit the sale of a fixed quality of the products of advanced technologies in the domestic market in order to add to our appeal for foreign investment.

It is necessary to pay close attention to advanced experiences in management and to enthusiastically invite those Overseas Chinese, Chinese of foreign nationalities, and foreign specialists with real ability and learning to teach on a short-term basis or to carry out technological exchange. We can also employ them in production, construction, or scientific research.

/Third, it is necessary to strive to improve the work concerning foreign trade and to add to the competitive power of the province's export products in the international market./

Foreign trade occupies an important place in the province's national economy. We must adopt vigorous measures, resolutely carry out reforms, and improve the work concerning foreign trade in order to attain development. First, it is necessary to shift the emphasis we previously placed on quantity in the production of export products onto quality, to improve traditional products, and to introduce more fine and marketable new products in order to attain the goal of making the quality of the products fine, their designs original, and their packages beautiful and to add to their competitive power in the international market. Second, it is necessary to continue to earnestly consolidate the enterprises responsible for foreign trade, to improve business management, to reduce the number of links, to cut expenses, to speed up the turnover of funds, and cut export cost in order to enable the products produced by our province to stand a better chance of being chosen by the state as the best ones to be exported. Third, it is necessary to vigorously make the foreign trade agents a success, to introduce new products through various channels, and to find new markets and sales channels in order to enliven foreign trade. At the same time, it is also necessary to do a good job of the import of raw and processed

materials and those commodities in great demand in the market and to vigorously develop the processing of raw materials for foreign businessmen and enterprises. We believe that, as long as the production and foreign trade departments can work in full cooperation, our province can certainly create a new situation in foreign trade as we further open the province to the world.

/Fourth, it is necessary to further exploit an advantage of having a great number of natives abroad in order to lend support to the four modernizations./ The Overseas Chinese are an important force we cannot afford to overlook in the socialist modernization of our province. We should further strengthen the handling of overseas Chinese affairs, correctly implement the policies adopted by the CPC Central Committee and the State Council concerning Overseas Chinese affairs, and, in particular, earnestly and comprehensively implement the policy concerning the houses owned by Overseas Chinese and the policy toward their families and the intellectuals among them, and more satisfactorily give play to the ardent love of the Overseas Chinese and the Hong Kong and Macao compatriots for the country and their hometowns. The provincial government has formulated and submitted to the State Council for approval regulations governing the preferential treatment given to those Overseas Chinese who invest money in the province. In addition, the following measures have been adopted: 1. In addition to the funds raised by various localities, a special fund has been raised for solving a problem left over by history, that is, the problem of the houses owned by Overseas Chinese. The tearing down, resale, and damaging of houses owned by Overseas Chinese are strictly forbidden. 2. With the application of the system of contracted responsibilities for production in the Overseas Chinese farms, the income of the majority of Overseas Chinese has increased. However, the income of a small number of Overseas Chinese has decreased as a result of their failure to adapt themselves to agricultural production. Thus, the minimum amount, not the maximum amount, of pay for those returned Overseas Chinese workers assuming contracted responsibilities for land in the Overseas Chinese farms is fixed. 3. Proper arrangements are to be made for those Overseas Chinese students who returned to the country to further their studies but who went to the countryside to engage in agriculture instead. Urban enterprises and institutions should enthusiastically give them jobs. As for those who ask to be allowed to go abroad, the public security departments should let them leave the country if they are issued visas by foreign countries of qualified to go to Hong Kong or Macao. As for those who are willing to stay and work in the places where they previously stayed and worked, their reasonable demands should be met. 4. Those enterprises and institutions established with funds raised by returned Overseas Chinese or families of Overseas Chinese and those established with introduced foreign or Overseas Chinese capital should give jobs to children and families of returned Overseas Chinese first. All parts of the province, all departments, and all units should earnestly implement the above measures. The departments responsible for Overseas Chinese affairs and those places which are the hometowns of many Overseas Chinese should, by way of approaching them and inviting them to come, try to understand the Overseas Chinese on their own initiative, be concerned about their interests, and tell them about the state of the country and their hometowns, with which they are concerned. They should patiently and meticulously contribute more efforts to the work related to Overseas Chinese, in particular the younger generation of Overseas Chinese, and establish close ties between the motherland and the Overseas

Chinese. It is necessary to improve the supply of goods and materials to Overseas Chinese, to set reasonable preferential prices for those commodities sold to people holding overseas remittances, to make a success of the construction of buildings with overseas remittance, and to strive for more overseas remittance. In addition, in order to make things convenient for those returned Overseas Chinese who wish to reunite with their families in Hong Kong and Macao, it is necessary to strive to make the "Hong Kong and Macao tours" a further success.

Fellow deputies, the further opening of the country to the world will certainly facilitate the work of the whole province. However, only by making the work of the whole province a success can we further open the country to the world. Thus, we should continue to implement the principle of readjusting, restructuring, consolidating, and improving and further straighten out economic relations. We should, with the attainment of better economic results as the central task and on the basis of it, strive for high speed and a synchronous increase in output value, profits, and the amounts of profits and taxes to be delivered to the state. We should vigorously develop commodity production in the rural area, strive to overcome the weakness of the national economy, and continue to push economic construction forward. In what follows, I will emphatically discuss three problems:

/1. Pay close attention to the construction in the areas of energy resources and communications in order to ensure economic development./ Attention should be paid to both long-term development and the present in carrying out construction in the areas of energy resources and communications. In regard to the construction in the area of power supply, it is necessary to adhere to the principle of simultaneously building "hydro-, thermal, and nuclear" power plants of large, medium, and small sizes. It is necessary to pay close attention to the construction of such key projects as the Shaoguan power plant, the Shajiao power plant, and the Huangpu power plant and strive to complete some of them and put them into operation before 1987. Thus, it is necessary to speed up their construction by issuing shares in the construction in the area of power supply, introducing foreign capital, and raising funds. In the near future, we can ask the cities and prefectures to prepare their own fuel. They can let the provincial power plants in the vicinity generate electricity with their fuel. The increase in power supply is dependent on how much fuel they have prepared. However, the province will not reduce the amount of electricity to be generated which is fixed in the plans.

At the same time, it is necessary to build a number of small and medium-size hydroelectric power stations in a planned manner provided that various resources are available, that conditions are favorable, that they require little investment, that not much time will be spent on building, and that they can produce results quickly and strive to build and put into operation each year small and medium-size hydroelectric power plants with a total generating capacity of 200,000 kilowatts. In order to fulfill this task, the provincial people's government has decided to adopt the following policies: First, the hydroelectric power stations built by governments and departments at and below city, prefectural, and county levels or by individuals, whatever their sizes, are to "benefit and to be owned and run by whoever builds them." Second, starting from this

year, within the periods for payment of debts stated in the loan contracts, the newly built small hydroelectric power stations are exempted from industrial and commercial duties and profit tax. Third, well-off regions in the plains are encouraged to build power stations in the mountain areas. With the completion of the new power stations, after deducting the actual line losses of the electrical networks, the electricity generated by the new power stations will be supplied to the regions which have invested money in building them. However, the original amount of power to be supplied to them prescribed by the plans will not decrease. Fourth, the banks are to extend larger amounts of loans for the construction of small hydroelectric power stations. In addition, it is also necessary to make the best use of the funds raised by grassroots credit cooperatives and the investment by international credit and investment companies in order to facilitate the construction of small hydroelectric power plants. Starting from 1985, in each year, 20 million yuan of the province's construction funds will be appropriated for the construction of small hydroelectric power stations. Part of the money will be used for interest payments. Overall arrangements are to be made by the provincial hydroelectric power office. Fifth, in regard to the supply of those goods and materials exclusively for the construction of small hydroelectric power stations, the problem of timber supply is to be solved locally, while the provincial planning commission will step up the supply of cement and rolled steel.

It is necessary to pay close attention to developing the small coal pits, to make the policies less restrictive, and to strive to increase the coal output of the small coal pits in order to improve the shortage of energy resources in our province. The contradictions between the demand for the supply of energy resources can be resolved by paying close attention to the exploitation of energy resources, practicing economy, and paying close attention to the administration of energy supply. In addition, we should also vigorously carry out cooperation with other provinces.

In regard to the construction in the areas of communications and transportation, it is necessary to adhere to the principle of "walking on two legs" and to coordinate air, land, and waterway transportation. The state, collectives, and individuals should jointly contribute efforts. It is necessary to pay close attention to the construction of Huangpu Port, Guangzhou Port, Shantou Port, Zhanjinag Port, Haikou Port, and Basuo Port, the construction of the multiple-track section of the Beijing Guangzhou railroad, the Sanshui-Yaogu section of the Sanshui Maoming railroad, the multiple-track section of the Quangzhou-Shenzhen railroad, the Lingtou-Basuo railroad on Hainan Island, and the road bridge on the Guangzhou-Shenzhen highway, the transformation of the main highways radiating from Guangzhou, and the extension of airports. In order to build bridges, ports, and railway and bus stations and to repair roads, it is necessary to raise funds by various means.

As there are many rivers in our province, special attention should be paid to the advantages of developing waterway transportation. As a result of protracted, serious soil erosion and the neglect of the waterways, the rivers are silted up, floods occur more frequently, and the mileage of navigable waterways decreases. Close attention should be paid to this problem. It is necessary to adopt resolute and effective measures and to lay down overall plans in order to make

comprehensive improvements, to make the once navigable rivers and waterways navigable again, to increase the mileage of navigable waterways, and to improve the carrying capacity of vessels. We can vigorously develop waterway transportation with government investment or joint state-private efforts. In addition, it can also be run by the masses with or without government assistance.

It is necessary to devote great efforts to the construction in the areas of posts and telecommunications. It is particularly necessary to speed up the construction of posts and telecommunications facilities in the three special economic zones--Hainan, Guangzhou, and Zhanjiang--and in other cities in order to cater to the needs arising from the practice of the open-door policy.

/2. Develop education, devote greater efforts to the exploitation of intellectual resources, and vigorously train competent people./ Over the past 2 years, the provincial CPC Committee and the provincial government have devoted greater efforts to construction in all areas of education and have increased investment. This year, in accordance with the decisions made by the provincial CPC Committee, we are to further increase the operating expenses and the amount of investment in capital construction. In order to develop education, it is necessary to build various types of schools at different levels by various means, to encourage people to study independently, and to strive to produce more competent people. Institutions of higher learning should learn from the experience of the Jiaotong University in Shanghai and Huanan Teachers' University, tap potentialities, recruit more students, and conscientiously improve the quality of instruction. Institutions of higher learning and the localities should jointly run schools, branch schools, day schools, and short-term professional training courses. In addition, it is necessary for the cities to set up more short-term vocational colleges, broadcasting and television universities, correspondence universities, and evening universities. In this way, higher education can cater to the needs of the four modernizations of our province. Secondary education should cater to the needs of urban and rural economic development and help people find jobs. It is necessary to increase the number of vocational secondary schools and technical schools, to continue to popularize primary education, to eliminate illiteracy, and to make the urban and rural populations better educated.

In order to suit the needs of the four modernizations and the new technological revolution, it is necessary to train competent computer technicians. Training should begin in the primary and secondary schools. computer science should be taught at those primary and secondary schools with proper conditions. Those without the proper conditions should enthusiastically create conditions and gradually introduce such courses.

It is necessary to pay close attention to in-service training of cadres and technical workers, to enable them to acquire some knowledge of modern science, technology, and management, and to update their knowledge in order to make them equal to their jobs.

It is necessary to earnestly implement the policy today intellectuals, to rationally use competent people, and to improve their living and work conditions in order to give full play to the role of intellectuals in the four modernizations. [Sentence as received]



/3. Speed up the construction and development of the mountain areas and develop their economies./ The mountain areas should develop the kind of diversification which centers on forestry and the growing of fruits, utilize the barren hills, devote vigorous efforts to developing exploitive production, develop agriculture, forestry, animal husbandry, sideline production, and fishery, build small hydroelectric power stations and small mines, and set up joint agricultural-industrial-commercial enterprises. It is necessary to make the policies still less restrictive, to arouse the enthusiasm of the people in the mountain areas, to encourage people to assume contracted responsibilities for exploitive production, to develop diversification and commodity production, to build facilities for communications and telecommunications, to encourage the economically developed areas to help the mountain areas, to carry out economic cooperation with the mountain areas, and to devote joint efforts to the exploitation of various resources. The provincial people's government will hold a special meeting to study and solve the problem of speeding up the economic development of mountain areas and areas inhabited by minority nationalities.

In recent years, some mountain areas have created good experience in exploiting natural resources and other advantages. For example, Longmen County adopts flexible policies to encourage the building of "five kinds of small gardens" (small bamboo gardens, small vegetable gardens, small orchards, small China fir plantations, and small herb gardens). In addition, it also builds small hydroelectric power stations by capitalizing on its rich water resources in order to meet the masses' demand for power supply in their daily life and production. It has been classified as an advanced locality in electrifying the rural areas. Yangshan County offers the best conditions and best services in order to draw funds, technologies, and competent people from other parts of the country for the purpose of exploiting such natural resources as coal, limestone, lead, and zinc, building mines and factories, and developing the economies of the mountain areas. By "sending people out" and "inviting people to come," Louding County sends more than 10,000 people to other parts of the country to assume contracted responsibilities for constructing buildings and builds power stations and roads with the money thus earned. In addition, by offering preferential terms and providing good services, it develops "san Laiyi bu" with foreign capital and solves the problem of unemployment. Last year, it earned a total of \$860,000 of processing fees and became one of the province's bases for the production of export garments and embroidery. All parts of the province should learn from their experience.

Fellow deputies, /in order to open the country to the world and to revitalize the domestic economy, it is necessary to strengthen administration and supervision simultaneously./ This is an important experience we gained in our work in the past few years. In addition to boldly opening the country to the world and persistently revitalizing the economy, it is necessary to devote greater efforts to guiding the macroeconomy with plans. It is necessary to continue to liquidate the "leftist" influence, to free ourselves from outmoded practices and traditional ideas, to unrestrictedly enforce those policies which are favorable for revitalizing the economy, and to make the policies stable and consistent. It is necessary to strictly check those practices which deviate from the policies and principles adopted by the party and the state and which run counter to discipline and various systems. However, we must not be inflexible in exercising control and supervision. Flexibility and supervision should encourage

each other. It is necessary to establish and perfect various systems and to observe strict discipline, particularly the financial and economic discipline, to devote greater effort to auditing, to strengthen financial and auditing supervision, to strictly enforce the "Statistical Law," to strengthen statistical service and its supervision, to strictly observe the discipline governing intercourse with foreigners, and to ensure that our country is opened and the domestic economy is revitalized in a healthy way.

/In order to push forward the economic construction of our province, it is also necessary to pay close attention to, and to learn from, the advanced experience of our brother provinces and cities./ It is especially necessary to learn from the good experience of Jiangsu Province. In the mid-1960's, there was not a marked difference between the economic development of Jiangsu and that of our province. However, over the past decade or so, the difference has become greater and greater. At present, Jiangsu's agricultural output value is the highest in the country, its industrial output value is second only to Shanghai, and it has acquired the third largest amount of revenue. It has become one of the country's most economically developed provinces. Not long ago, the provincial CPC Committee and the provincial government sent a team to study and conduct surveys in Jiangsu. The team has learned much from its experience about speeding up economic development and, in particular, about building town and township enterprises. We should earnestly find out where we fall short, try to overtake the advanced, improve economic work, and quicken the pace of economic development.

### III. Carry Out Reform, Blaze New Trails, and Forge Ahead

To carry out reform systematically in an all-round way is the most important measure for fulfilling the Sixth 5-Year Plan. We must adhere to reform and must use reform to open the door wider to the outside world and to further enliven the domestic economy. Since Comrade Ren Zhongyi put forward the eight-point requirements for reform at the Fifth Provincial CPC Congress in 1983, the economic reform situation in the whole province has been excellent. The reform of the rural economic system has developed in depth. The urban areas have drawn on the experience of rural reform and have carried out a series of reforms in the fields of production, circulation, and distribution. The special economic zones have, in particular, provided some fine experience. A large number of vivid facts have proved that reform has brought forth vigor and has explored the road leading the country and the people to prosperity. Reform has opened the door wider to the outside world, has enlivened the domestic economy, and has promoted the development of production and the improvement of the people's life. Reform has revealed the hope of the four modernizations. It is the trend of the times and the desire of the people.

In accordance with the direction and principle of economic restructuring put forward by Comrade Zhao Ziyang at the Second Session of the Sixth NPC, the provincial people's government has studied and analyzed the situation of reform carried out in Guangdong at the previous stage and held that the reform measures adopted by Guangdong conformed to the direction of national reform, except for their slow pace. From now on, we should conscientiously sum up experience and accelerate the pace of reform. We must pay close attention to the implementation

of reforms arranged by the state in a unified manner; we must persist in developing the effective reform measures adopted by Guangdong in the past few years; we must vigorously popularize the successful experience of the special economic zones; and we must sum up, perfect, and popularize in an all-round way the successful experience of reform carried out in the selected units. It is necessary to continuously carry forward the spirit of boldly blazing new trails and forging ahead.

The stress of the current reform should be put on cities and enterprises and on restructuring the part of the superstructure which is not suited to the development of production. Without urban reform and without restructuring the unsuitable part of the superstructure, it will be difficult to consolidate and develop the achievements of rural reform. While rural reform is developing in depth, it is essential to speed up the pace of urban reform. In urban reform, we must, centered on solving the relations between the state and enterprises and between enterprises and workers, do well the preparatory work of the second stage reform in substituting tax payment for profit delivery, relevantly extend the decision-making power of enterprises, and implement the economic responsibility system within enterprises so as to stimulate the enterprises' vigor and enable reform in various fields to simultaneously develop in coordination. Meanwhile, we must also carry out structural reforms as necessary in the fields of planning, capital construction, commerce, materials, credit, price, and so on. The core of reform is to simplify administration and delegate power, to separate government administration from enterprise management, and to enliven enterprises and unblock circulation. The aim of reform is to straighten out the economic relations, attain better economic results, and promote the building of the four modernizations. At present, reform should be carried out in the following 10 respects:

/1. Further perfect and develop reform of the rural economic system./

It is necessary to continuously implement the spirit of the CPC Central Committee's circular on rural work for 1984, further stabilize and perfect various forms of contracted responsibilities based on households, actively develop specialized households and various forms of economic integrated bodies, continuously improve the agricultural structure, expand the scale of production, attain better economic results, heighten production levels, unblock circulation channels, enhance social services, and promote the development of commodity production. In light of the actual conditions of the localities and the desire of the masses, it is necessary to implement the policies concerning land contracted for periods of over 15 years to each household, to establish and perfect regional cooperative economic organizations, and to perfect the system of contracted responsibilities. It is necessary to actively develop township enterprises, to actively develop cooperation between urban and rural areas and between various localities, and to encourage the economically developed areas to carry out various forms of cooperation, exchanged, and joint exploitation with the mountainous areas.

The structural reform of supply and marketing cooperatives in the rural areas should be carried out in a deepgoing way. In accordance with the relevant stipulations of the provincial people's government, the supply and marketing cooperatives must practice independent accounting, assume sole responsibility for their

profits or losses, change their nature from "commerce run by the government," and give full play to their role of linking up the urban and rural areas. To reform the supply and marketing cooperatives at the basic levels, we must make breakthroughs in the following five respects: labor system, peasants holding shares, range of businesses and services, distribution according to work, and fixing floating prices according to quality. Such reform should be combined with the economic interests of the peasants and the supply and marketing cooperatives should have the decisionmaking power in manpower, finance, materials, and operation and should genuinely become cooperative commerce owned by the peasants' collective.

The reform of the rural credit cooperative system must be accelerated. The agricultural bank should strengthen leadership, should run the credit cooperatives well so that they can have a mass character in organization, a democratic character in management, and flexibility in business operation, should appropriately manage and utilize the funds of the credit cooperatives, and should support the large scale development of rural commodity production.

## /2. Vigorously reform the management system of planning./

The reform of the management system of planning should be carried out according to the principles of "appropriately managing the major issues and adopting flexible measures for minor issues" and "simplifying administration and delegating power" so as to promote the reform of the entire economic system and to suit the needs of opening the door wider to the outside world and further enlivening the domestic economy.

In production planning, the peasants must be allowed to produce and market by themselves those agricultural products which have overfulfilled the mandatory purchase quotas and other agricultural products, except forestry products which are natural resources to be protected as stipulated by the policies. Under the premise of fulfilling the state plans and supplying goods according to contracts signed, the overfulfilled part of the industrial products which are subject to mandatory planning can be marketed by the factories of enterprises. The principle of market regulation will be carried out on the products and small commodities which are not subject to mandatory planning.

In capital construction planning, the power to approve the capital construction items financed by local funds should be delegated to the lower levels. In light of the principle of pooling the necessary financial and material resources to ensure the key construction projects of the state and province, all cities and prefectures should raise funds and arrange capital construction by themselves. If the funds, energy resources, materials, and equipment are within the annual general scale of locally financed investment for capital construction which is examined and approved by the provincial authorities and can be solved by the localities themselves, whether they are productive or non-productive construction projects, Guangzhou will have the power to approve projects of under 10 million yuan; Zhanjiang, Foshan, Jiangmen, Shantou, and Zhuhai will have the power of other cities, prefectures, departments and bureaus directly under the provincial authorities, and counties to approve projects will also be relevantly extended. The power of the special economic zones and Hainan Island to approve

capital construction projects will follow the relevant stipulations of the State Council. The procedures of submitting the project items to the province for approval should also be simplified.

The construction projects which utilize foreign capital and the general scale of investment (including newly built projects and technical transformation of old enterprises) verified by the higher authorities must be allowed to be readjusted in the course of implementation. The power of Guangzhou, Zhanjiang, Foshan, Jiangmen, and other cities, prefectures, and counties should be relevantly extended for approving the following: Those productive projects and the construction and production conditions which need not be arranged by the province, those products which need not be marketed by the state and province, exports which do not involve the assigned quotas, and those projects which can be repaid by the units undertaking them. Concerning all the construction projects which mainly rely on utilizing foreign capital, self-raised funds, and imported equipment and the non-productive projects which do not need the province to maintain overall balance and for which the funds undertaken can be balanced in foreign exchange by ourselves, the cities which are open to the outside world have the power to approve the projects by themselves regardless of the amount of investment. The projects utilizing over \$500,000 foreign capital should be reported to the provincial authorities for the record. The power of granting bank loans, the power of managing goods and materials under unified state distribution, and the power of price management should also be relevantly extended.

After the management power of planning is delegated to the lower levels, all levels should enhance the balance of macroeconomy, should promptly readjust taxation, credit, prices, financial subsidies, and so on in a planned manner centered on long- and mid-term plans, should use various economic levers to strengthen relevant economic laws and management regulations, and should lead and coordinate the smooth implementation of the national economic and social development plan.

/3. Carry out the second stage reform of substituting tax payments for profit delivery in state enterprises./

In accordance with the unified plan of the State Council, starting with the fourth quarter of 1984, the second stage reform should be carried out so that all enterprises will gradually switch to the substitution of tax payments for profit delivery, instead of having the two methods in [?use] simultaneously. The concrete measures to be taken are: Appropriately readjust the rate of the product tax; introduce a resources tax, a value-added tax, and several local taxes; and collect the regulatory business tax, based on differing circumstances, after the income tax is levied, with enterprises retaining after-tax profits for their own use. Except for a small number of large- and medium-sized county enterprises which must implement the principle of substituting tax payment for profit delivery, the other state industrial enterprises run by the counties should have a free hand in carrying out operation and management, should practice ownership by the whole people, management by the collective, and taxation levied by the state; and, assuming sole responsibility for profits and losses, should relax the policies on methods of running businesses, price management, wages and welfare, and so on referred to in the policies stipulated for the collective

industry under the second light industrial departments, and should enliven and run well the county enterprises. Small state-owned enterprises and industry run by commercial departments may be run by the collective or by individuals, under contract or lease. Or these enterprises may be run with a free hand in the same way as collective enterprises are. The definition of small state-owned enterprises is the state-owned industrial enterprise which originally has fixed assets valued at 5 million yuan and which can make an annual profit of under 500,000 yuan. The enterprises which can make only small profits may implement the method of assuming contracted responsibilities and retaining the excess surplus. As for the enterprises running at a loss, the method of assuming contracted responsibilities for the losses and the progressive decrease of the losses, of giving no subsidies for excess losses, and of retaining the portion saved from the losses must be implemented. The responsible departments concerned of the province should conscientiously conduct investigations and studies, make preparations for the second stage reform of substituting tax payment for profit delivery and running businesses with a free hand in light of different circumstances, and work out plans for implementation and put them into practice after approval.

#### /4. Continuously carry out reform of enterprise management system./

The stress of delegating power is to enliven the enterprises and further arouse the initiative of enterprises and workers. The governments and responsible departments at all levels should extend the decisionmaking power of enterprises and implement the economic responsibility system within enterprises, get rid of egalitarianism in distribution, and smash the "big pot." The state-owned industrial enterprises should conscientiously implement the "Provisional Regulations on Further Decisionmaking Power of the State Industrial Enterprises" promulgated by the State Council. The enterprises must be given due power in the following 10 aspects--planning for production and operation, sales of products, pricing, selection and purchase of materials, use of funds, handling of assets, structural establishment, administration of affairs concerning personnel and labor, wages and bonuses, and inter-unit associated operation--so as to further arouse the initiative of enterprises and workers, enable enterprise management to gradually switch from production-type to production and operation-type, become relatively independent producers of commodities, and raise the adaptability and competitiveness of enterprises. All enterprises should further perfect the economic responsibility system within enterprises, strengthen management over production quotas, work out advanced and reasonable production and operation targets, plans, and economic and technical quotas, and implement them to each workshop, team, and individual.

The system of leading bodies in enterprises must be reformed and the power of cadre management must be delegated. Medium-sized cities should carry out pilot projects of the system of directors (managers) assuming full responsibility. It is necessary to continuously implement the method of democratically electing factory directors. Factory directors (managers) and party committee secretaries should respectively be appointed by the responsible departments at the next higher level. The administrative deputy posts at factory levels are to be nominated by directors and approved by the responsible departments. Mid-level cadres are appointed and removed by directors. It is essential to adopt a series



of measures for ensuring effective participation by workers and staff in the democratic management of enterprises. Concerning enterprise management and technical cadres, the contract and recruitment system as well as floating posts can be implemented on a trial basis. The appointment and removal of cadres should be linked with enterprise operation and the "iron arm chair" should be removed.

/5. Give prominent attention to the all-round reform of capital construction and building industry./

First, this reform should focus on shortening the construction cycle, reducing costs, improving the quality of projects, and increasing the returns on investment responsibility and a system of public bidding. In recent years, some projects in Guangdong's special economic zones and cities have carried out the reform of assuming contracted responsibilities for public bidding on a trial basis. As a result, the project costs have dropped by 8 to 15 percent, the construction cycle has been shortened by 20 percent, and quality has improved to some extent. It is essential to conscientiously sum up experience, further perfect, and popularize the reform in this respect. All units inviting or submitting tenders for design and construction, regardless of their forms of ownership, may participate in the competition provided they are qualified and approved by the departments concerned. The responsible departments of the province should immediately formulate and promulgate the provisional regulations for public bidding management, should make checks on verifying the tender documents, on examining the technical qualifications of enterprises entering bids and the base bidding price of projects, and on comparing the bids, should perfect the forms of operation, and should establish the system of graded management. It is strictly forbidden to practice fraud and to engage in false bidding by making decisions under the table. No matter who violates this rule, the leading person concerned will be investigated and held responsible for the fault.

Investment agreements specifying the responsibilities of the units for which construction projects are built should be signed wherever conditions permit and these units should be fully accountable to the state. For all projects where repayment is possible, financial appropriations should be replaced by bank loans in accordance with the principle of compensation for the use of funds. It is essential to formulate a series of concrete policies to perfect the current regulations and the economic responsibility system and to encourage a shorter construction cycle, lower investment, and commissioning of projects and attainment of designed production capacity ahead of schedule. Funds saved by early completion of a project should go to the unit which contracts for the project, while any additional funds which it has to borrow because construction takes longer than expected should be repaid.

We should introduce corresponding reforms in the procedures for ordering building materials and equipment and have the materials departments send the materials directly to the units that contract for the project. Meanwhile, we should give full play to the role of market regulation, should reform design work, should strengthen the measures of safety operation, and should ensure the quality of projects.

It is necessary to continue to extend the decisionmaking power of the building industry enterprises so that they have reasonable power of contracting foreign and domestic projects, exporting labor, setting up organizations, making arrangements for cadres and personnel, utilizing funds, purchasing and marketing materials, and so on. Under the prerequisite of fulfilling the main economic and technical quotas, the enterprises contracting the projects may pursue the method of "contracting the amount of wages to be paid for the output value of every 100 yuan."

In urban construction, it is necessary to further extend the experiments in putting urban housing on a commercial basis. All cities should earnestly conduct investigations and studies, appropriately prepare the general plans for urban transformation and reconstruction, work out schemes of subsidizing and selling residential houses, and develop real estate businesses. It is essential to carry out the policies and management methods of encouraging individuals to build and purchase houses. The practice of building private houses which conform to the policies of the state should be encouraged and supported, whereas the illegal practices of abusing power to build private houses and seeking private gain at public expense should be opposed and prohibited. This is an effective measure for solving the problem of the housing shortage.

/6. Reform the labor and wage system in a step by step manner./

Enterprises should actively implement the labor contract system in recruiting workers. The trades which mainly offer labor services such as mining, building industry, forestry, and transportation should employ rotating, temporary, and contract workers so as to gradually reduce the proportion of regular workers, constantly upgrade the structure of the labor force, and maintain the vigor of enterprises. We must relevantly delegate the power of approving recruitment and the management of labor force and gradually reform the wage system. Under the prerequisite of unified state policies and systems, the enterprises may, in light of their characteristics and circumstances, adopt various different wage forms and practice the systems of floating wages or semi-floating wages, piece rate wages, time wages with bonuses, and title and post subsidies. The distribution of workers' wages must be linked with the economic results of enterprises and combined with the economic responsibility system. The principle of more pay for more work and imposing no ceiling or lower limit can be carried out provided the workers' wages do not exceed the growth of profits delivered to the state and are not higher than the amount of wages used for the production costs of per unit product of the previous year. We must establish a retirement fund for workers of units under the ownership by the whole people and institute a social labor insurance system in a step by step manner so as to help the enterprises alleviate the unreasonable burden and attain better economic results.

/7. Speed up the reform of the circulation system and continue to enliven and unblock circulation channels./

In recent years, we have carried out a series of reforms in the commercial system in Guangdong. Over 95 percent of the shops of the whole province have implemented various forms of responsibility system, including the system of contracted responsibilities, and have reformed the commercial wholesale system,

established markets for manufactured goods for daily use and wholesale markets for agricultural and sideline products, relaxed the purchasing and marketing policies for agricultural and sideline products, and given permits to the peasants to handle by themselves or sell the third category of agricultural and sideline products and the surplus first and second categories of products, after fulfilling the purchase quotas through various channels. This has played an active role in commodity production and exchange. In accordance with the principle of the leading role of the planned economy and the supplementary role of market regulation, we must change the existing circulation system which consists of unified purchase and supply of goods according to administrative divisions and levels into an open and multichannel circulation system which has less intermediate links and must expand a single socialist market. We should break out of the confines of the current wholesale business, which is run on three levels. In light of the requirements put forward by Comrade Zhao Ziyang in his government work report, we must carry out reform and must turn all wholesale organizations into economic entities which can operate independently and have equal status in their economic and business relations. Large- and medium-sized cities should speed up the establishment of trading centers and carry out commodity exchange. We must enable the state, the collective, and the individual to develop simultaneously and must accelerate the building of various basic facilities in the circulation field. In accordance with the law of value, we must, in the form of purchase and marketing and in pricing, go all out to enliven the state commerce and the supply and marketing cooperatives. Except for a small number of commodities, the state commerce and the supply and marketing cooperatives must be allowed to have a certain extent of price fluctuation according to a reasonable rate difference between stocking and marketing so that it will be advantageous to competition and regulation. The countries and important towns should also set up trading centers for industrial products and wholesale markets for agricultural and sideline products and actively carry out various kinds of purchase and marketing activities. According to the principle of separating government administration from enterprise management, all forms of commercial enterprises must be allowed to exercise their power of independent operation and to compete with each other under equal conditions provided these activities are within the range permitted by state policies. In light of the new circumstances following the substitution of tax payments for profit delivery, we must continuously perfect the system of contracted responsibilities in operation within enterprises, combat egalitarianism, enhance the vigor of enterprises, and attain better economic and social results.

The management system for materials should be reformed. We should carry out the method of organizing materials through multiple channels, set up trading centers for means of production and integrated commercial centers and shops for materials in cities, and allow part of the goods and materials under unified allocation and the means of production to flow into the markets so as to enliven the circulation of materials. We should carry out the method of establishing a "bank of materials" for the materials which must be allocated in a planned way. Warehouses should be set up at the levels of enterprises and materials departments in all cities to stock up the materials and to make up one's deficiency from another's surplus. The cities open to the outside world and the medium-sized cities can carry out experiments in this respect. Concerning the materials for carrying out cooperation, warehouses should be set up at the levels of responsible departments and enterprises to stock up the materials and to supply them according to each other's needs.

/8. Reform the foreign economic and trading system in a step by step manner./

In foreign trade there must be unified leadership and centralized management by specialized departments. At the same time, we must cater to the new situation and adopt effective measures to further enliven foreign trade and give wider scope to the enthusiasm of various quarters. The emphasis in the reform of the foreign trade system should be on helping to combine foreign trade with the increased production of enterprises and the introduction of new technology, as well as to separate government functions from business management. The form of combining foreign trade with the increased production of enterprises based on industrial enterprises or integrated economic entities to be extended or experimented with in a step by step manner include: Setting up some import and export companies which combine foreign trade with the increased production of enterprises at selected points, setting up on a trial basis some production enterprises which directly engage in foreign trade, and establishing on a trial basis import and export companies under the integrated economic entities of a trade which can directly engage in foreign trade. The branches of various foreign trade companies can also run joint ventures with enterprises or with foreign businessmen. All companies should develop on a specialized and socialized basis, operate independently, assume sole responsibility for their profits or losses, gradually integrate their rights, responsibilities, and interests, extend the decisionmaking power of enterprises, and implement the economic responsibility system within enterprises.

/9. Actively carry out reform of the scientific and technological system and of education./

We must reform the scientific research system according to the principle "economic construction should rely on science and technology, science and technology should cater to the needs of economic construction" and aimed at producing more achievements and talented people and creating more social economic results. The method of signing contracts with user organizations that list remunerations and introducing the contract system for internal research jobs should be regarded as a breakthrough in reforming the scientific and technological system. We must conscientiously implement the "Suggestions on Reforming on a Trial Basis the Operating Expenses of the Exploitation and Research Units into Signing Contracts with User Organizations that List Remunerations" approved by the State Council and gradually try to finance the activities with our own funds instead of depending on the state treasury for operating expenses. The exploitation and research units directly under the provincial or city authorities in Guangzhou, Shenzhen, Zhuhai, Shantou, Foshan, Jiangmen, and Zhanjiang should basically accomplish their reforms within 3 years. Other cities and localities should also actively conduct experiments at selected points. The units which are conducting experiments will enjoy preferential treatment. We must universally implement the principle of royalties for technological patents and carry out various forms of technological trades. We must allow scientific and technological achievements to be exchanged in cooperation between trades, departments, and regions. We must allow scientific research units and institutions of higher learning to establish various forms of scientific research and production combinations and technological exploitation companies with enterprises or establish permanent and fixed cooperative ties in economy and technology. We must allow

the people who have made outstanding contributions to economic construction to get a better income. The scientific research units and scientific and technological service organizations at or under county level should also carry out corresponding reforms in a step by step manner.

To reform higher education, it is necessary to boldly carry out reform in the following four fields and to give full play to the role of the existing institutions of higher learning: 1) We must extend the decisionmaking power of the universities and colleges, improve the personnel and wage system, arouse the lecturers' enthusiasm, manage the schools well, and improve the quality of education; 2) we must improve the teaching materials and methods so that the students can have a good grasp of their basic courses, have a wide range of knowledge, and have greater adaptability; 3) we must improve the enrollment and placement system, handle the allocation of talented people well, and satisfy the needs of talented people of various localities and fields; and 4) we must vigorously develop the combination of education, scientific research, and production and strengthen the ties between the schools and society.

Rural education should be reformed in fields such as the method of running schools, educational structure, the appointment of teachers, the source of educational expenses, and so on. The key primary schools in the districts and townships should be run well. Meanwhile, we must adopt a variety of methods in running schools so as to make elementary education universal. The economically and culturally developed areas should take the lead in developing secondary education. We must develop professional and technical education in the rural areas and gradually transform the educational structure. We should encourage the townships to run primary schools, the districts to run junior secondary schools, and the cities and counties to muster funds to run senior secondary schools, normal schools, agricultural technical schools, and experimental junior secondary schools well. We must encourage the pooling of funds from various sources for running schools. In order to smash the "big pot" and the "iron rice bowl," to improve the quality of teachers, and to arouse their enthusiasm, the recruitment system for teachers can be implemented on a trial basis.

/10. Further perfect the reform of the administrative and management system./

Following the basic accomplishment of the structural reform of the provincial, prefectural, and city administrative organs and the changes of the administrative regions, it is necessary to further define the duties incumbent on each organ and person, to step up the establishment of the system of personal responsibility and assessment for the working personnel, to make the leading methods and working system suit the new situation, to get rid of bureaucratism, to raise work efficiency, and to serve the basic levels better.

The new system of cities leading the surrounding counties must be further perfected. We must accelerate the pace of reform and implement the system of separating government administration from enterprise and commune management and linking up the rural and urban areas. All cities must work out coordinated development plans for their economy, science and technology, and various undertakings. We must acquire the idea of urban and rural areas merging into an organic whole and developing in common and must implement the principle of regarding cities

as centers, rural areas as bases, and small towns as links. In accordance with the requirements of mass production, we must gradually establish networks of economy, finance, science and technology, communications and transportation, culture and education, and so on which connect the urban and rural areas, must form into a new setup or urban and rural economic development, and must speed up the economic development.

Reform of the administrative organs at county level and the separation of government administration from commune management should be accomplished in an all-round way within this year. It is a reform of the personnel system to adopt the method of recruiting cadres for the district (town) basic levels on a contract basis. Therefore, due attention should be paid to this work.

Although the work of separating government administration from commune management and setting up districts and townships is basically accomplished, government administration is not genuinely separated from commune management in a number of localities and the scale of some townships is too small. This is disadvantageous to giving full play to the role of the political powers at the grassroots levels and to the economic construction of districts and townships. Therefore, it is necessary to further sum up experience and constantly make improvements.

All our reforms proceed from the general point of arousing the initiative and creativity of all levels, departments, enterprises, and working personnel and carrying forward the spirit of boldly blazing new trials. For this reason, it is necessary to further emancipate the minds, seek truth from facts, continue to make explorations, and boldly blaze new trails. We must study and popularize the new experience gained in the structural reform of various aspects in recent years and make overall arrangements so that the reform can develop steadily and healthily in a step by step manner under proper leadership. We must conscientiously study, further perfect and improve, and actively popularize and expand the trial implementation of the effective experience in reform and the typical experience of various trades and professions gained at the previous stage in our province, such as: the method of extending the decision-making power of enterprises and implementing the responsibility system within enterprises adopted by Guangzhou's Nanfang building and Dongfang guesthouse and Shantou's machine plant; the method of organizing specialized combinations and establishing enterprise companies used by Guangzhou's bicycle and sewing machine trades; the method of enterprises directly engaging in foreign trade or combining foreign trade with the increased production of enterprises adopted by Guangzhou's silk and flax textile mill, Nanfang jade carving plant, and Jinagmen's No 3 radio plant; the method of Guangming Overseas Chinese farm and Baiyunshan farm running enterprises; the method of building residential houses on commercial basis used by Shekou's industrial zone; and the method of practicing public bidding for construction projects, delegating decisionmaking power of enterprises, and reform of personnel, labor, wage, social insurance, and other systems used by Shenzhen Special Economic Zone.

The overall planning and classified guidance for structural reform must be strengthened. Guangdong has adopted special policies and flexible measures for the special economic zones, for the coastal cities, and for the economic exploitation areas. We also have to conduct experiments on overall reform in the four



cities of Guangzhou, Zhanjiang, Foshan, and Jiangmen. Therefore, viewed from the angle of structural reform, we must deal with different things in light of different circumstances and stipulations. Under the overall planning of Guangdong's structural reform, we must strengthen classified guidance and draw up concrete plans for reform and work out specific measures for the implementation of the policies accordingly. While enlivening the microeconomy with a free hand, we must particularly strengthen guidance and balance of the macroeconomy and must simultaneously develop management and supervision work so as to ensure the healthy development of reform.

Comrade Hu Yaobang once pointed out: "We must have the courage to do away with all traditional ideas, methods, and conventions which do not suit the new situation, conditions, and tasks. We must also be bold in exploring, adopting, and popularizing all the fine methods and experience which are suited to the new situation, conditions, and tasks." We must adhere to seeking truth from facts and proceeding in all cases from practice in carrying out various reforms. Under the guidance of the principles and policies of the CPC Central Committee, we must continue to eliminate the influence of the "left" deviation, boldly blaze new trails, accelerate our pace, and forge ahead.

Fellow deputies, to build socialism with distinctive Chinese features, we must persist in simultaneously building material and spiritual civilization. As Guangdong is in the vicinity of Hong Kong and Macao, it is particularly important to adopt the policy of opening wider to the outside world and to pay attention to the building of spiritual civilization. We must further strengthen ideological and cultural building. We must appropriately carry out the activities of "five stresses, four beauties, and three loves" in cities, push forward economic reform, promote the open-door policy, and try by every means to heighten the level of material and spiritual civilization in cities. The role of large- and medium-sized cities as political, economic, and cultural centers should be given full play. Consequently, we must turn the whole province into a society which has culture, socialist morality, and a fine social order and in which everyone loves the motherland and the collective and stresses civilization, courtesy, sanitation, and hygiene, thus embodying the superiority of the socialist system. Although our science and technology are not as developed as the capitalist countries for the time being, our spiritual civilization will definitely triumph over them. While carrying out the open-door policy, we oppose spiritual contamination but not everything foreign. We must strengthen our ability to resist spiritual contamination through building spiritual civilization. It is necessary to continue to eradicate the feudal remnant ideas. We must do a good job of culture and art, radio and television, press and publication, public health and sports, and other work so as to enrich the people's cultural life and build up the people's physique. We must, in a wide and deep-going manner continue to build civilized units in the urban and rural areas, carry out reading activities to invigorate China, propose fine services in various trades and professions, establish a good social order, and create a beautiful environment so that Guangdong can become China's "display window of civilization" to the outside world.

In order to ensure the open-door policy and the enlivening of the domestic economy, it is necessary to strengthen social order and develop the political situation of stability and unity. We must continue to carry out the struggle of

[word indistinct] down on social criminal offenses and serious economic offenses, attack smuggling activities, strike surely, accurately and relentlessly at active criminal offenders according to law, continue to consolidate public order and social order, strictly ban the illegal activities of gambling, prostitution, and sorcery, make comprehensive efforts to improve social order, do the work of preventing criminal offenses well, strengthen the building of revolutionization and modernization of the public security troops in the course of the struggle, and strive to attain a fundamental turn for the better in social order. We must enhance the building of legal system so that all economic activities are carried out according to regulations and law. We must vigorously publicize and resolutely implement the "Law of the PRC on Regional Autonomy" and the "Military Service Law of the PRC" and do nationality and conscription work well.

Fellow deputies, to realize the strategic objective put forward by the 12th CPC National Congress, create a new situation in Guangdong's socialist construction, fulfill and overfulfill the national plan, and strive to attain the task of quadrupling the total output value of industry and agriculture ahead of schedule are extremely arduous and glorious tasks. The unity of the people of the whole province is the guarantee of advancing in victory. The people of the whole province should closely unite around the CPC and should further strengthen unity with various nationalities. We must enhance unity between the army and people and between the army and government, strengthen unity with the compatriots in Hong Kong, Macao, Taiwan, and overseas, with all socialist laborers, and with all the patriots who support socialism and national reunification, must work hard hand in hand under the leadership of the Guangdong Provincial CPC Committee, develop the favorable situation, and use outstanding achievements to greet the 35th anniversary of the founding of the PRC!

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## ECONOMIC PLANNING

### HUBEI LEADER URGES INCREASED INDUSTRIAL EFFORT

HK200325 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 19 Jul 84

[Excerpts] Vice Governor Guo Zhenqian said yesterday at a provincial forum on industrial and communications production and work: The guiding ideology for industry and communications in the province in the second half of the year is, on the basis of achieving all-round improvement of economic results and the three synchronous growths, to exceed the national average levels in growth of output value and in growth of profits, tax, and financial revenue.

The situation in the province's industrial and communications production in the first half of the year was very good. Output value, profits, tax, and financial revenue maintained synchronous growth. However, a noteworthy signal also appeared: The growth of the province's industrial and communications production in the first half of the year was lower than the national average. The adaptability and product competitiveness of certain light industry enterprises are weak, and they cannot suit the changes in the markets. There is serious overstocking of some products. Some economic indices have not been fulfilled well.

Comrade Guo Zhenqian said: In the second half of the year, we must seriously organize production and circulation well, and work particularly hard to improve produce quality, increase variety, cut material input, and raise profits. We must strive to change the passive situation in light industrial production, adopt new measures in light of the new conditions and problems, and do everything possible to promote industrial and communications productions in the second half of the year.

Guo Zhenqian stressed: In the second half of the year we must work hard to expand output of light and textile industry products that sell well. Viewing the country as a whole, output of light and textile industry consumer goods, far from being excessive, needs to be greatly developed. It is therefore necessary to step up market intelligence work and develop new products.

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## AGGREGATE ECONOMIC DATA

### BRIEFS

SICHUAN TOWNSHIP, TOWN ENTERPRISES--According to statistics, the gross income of all township and town enterprises throughout Sichuan Province in the first half of this year amounted to over 1.9 billion yuan, an increase of 14 percent over the same period last year. Concerning gross income, the income of all township and town enterprises in five cities, prefectures, and autonomous prefectures--including Dukou, Yaan, Yibin, Liangshan, and Deyang--increased by some 27 percent. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 7 Jul 84 HK]

SHANDONG'S GOOD INDUSTRIAL SITUATION--In the first half of 1984, one of the best industrial, communications, and financial trade situations ever known in Shandong Province emerged. The output value, profits, and profits and taxes handed over to the state on the industrial front increased at the same pace. In the first half of this year, the industrial front fulfilled over half of the annual output value plan, showing an increase of 11.4 percent over the corresponding 1983 period. The output of energy resources, raw materials, and daily consumer goods showed substantial increases. The output of raw coal increased 980,000 tons over the corresponding 1983 period, that of crude oil 1.48 million tons, and that of electric energy 800 kWh. The total commodity volume purchased increased 9.9 percent over the corresponding 1983 period and that of retail sales of social commodities increased 9.2 percent. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 10 Jul 84 SK]

GUANGDONG FIRST-HALF STATISTICS--Guangdong Province's gross industrial output value in the first half of this year was 12.7 percent more than the same period last year. The province fulfilled 52.75 percent of its budgeted annual quota for revenue in the first half of this year, and the revenue in this period was 14.1 percent more than in the corresponding period last year. The state-run enterprises fulfilled 43.9 percent of the budgeted annual quota for profits submitted by them to the state and the profits recorded an increase of 25.9 percent over the same period last year. The province fulfilled 55.9 percent of the budgeted annual quota for the collection of the industrial and commercial taxes and the industrial and commercial taxes were 13.2 percent more than in the same period last year. Revenue in Guangzhou City in the first half of this year increased by some 84 million yuan. [Summary] [HK191004 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 12 Jul 84 HK]

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## ECONOMIC MANAGEMENT

### JOURNAL ON INTERCITY ECONOMIC COOPERATION

HK100919 Beijing JINGJI GUANLI in Chinese No 5, 5 May 84 pp 13-14

[Article by Wang Zhengchu [3769 2973 0443] and Gu Senxian [7357 2773 6343]:  
"A Good Way for Developing Intercity Economic Cooperation--The Situation of Mutual Help and Mutual Emulation Activities Between Wuxi and Changzhou"]

[Text] The cities of Wuxi and Changzhou can be likened to two pearls along the Shanghai-Ningbo railway. They belong to the Shanghai economic zone, are only 40 kilometers apart, and historically they have a close economic relationship. Under the leadership of Jiangsu Provincial CPC Committee, these two cities put forth the slogan of "learning from Shanghai in the east, catching up with Nanjing in the west, and emulation between the two cities of Wuxi and Changzhou" in the early 1960's to start intercity mutual help and mutual emulation activities. Since the 3d Plenary Session of the 11th CPC Central Committee, leading comrades from these two cities have raised their understanding of the guiding ideology for building economic zones and improving urban comprehensive economic results and under this situation, the mutual help and mutual emulation activities between the two cities have been raised to a new level.

In 1983, Changzhou Municipal CPC Committee called on the people across the city to learn from the advanced and Shanghai and Wuxi, with emphasis on learning from Wuxi. Changzhou Municipal CPC Committee has grasped the following four aspects. First, it has organized backbone enterprises to learn from the related enterprises in Wuxi with emphasis on learning from their products. Second, it has organized industrial companies to pinpoint differences with those in Wuxi and learn from the advanced. Third, the Changzhou Municipal leading cadres and leading members from comprehensive economic departments have visited Wuxi to learn from the experiences of the city in exercising leadership and management methods for urban construction. Fourth, it has organized the various departments concerned to work cooperatively for emulating Wuxi and to take the related measures. The leadership of Wuxi Municipal CPC Committee has paid a lot of attention to the significance of mutual emulation. It has also organized teams to visit Changzhou and learn from its experience. These two cities have made further achievements through these measures in their efforts to help and emulate each other.

The mutual help and mutual emulation activities between these two cities have the following features:

First, the leadership has paid attention. Leading comrades from these two cities have personally taken part in the activities to organize the leading comrades of various departments, committees, offices, bureaus, companies and the related factories at various levels to learn from the related units through discussions so as to enlighten each other. In this process, they have also summed up experience so as to raise their understanding and learn from leadership experience and methods of work in the related units. Comrades from Changzhou have invited an advisor to the Wuxi Municipal Government to become advisor to both Wuxi and Changzhou. On the other hand, this advisor has also invited the related leadership in Changzhou to exchange views on the economic development strategy of the two cities. These activities have attained very good results.

Second, correct attitude. These two cities have found that in carrying out mutual help and mutual emulation activities, the two sides have treated each other with an honest and frank attitude. That is that they have learned from each other's advantages and pointed out each other's shortcomings in their effort to learn from the other's strong points to offset weaknesses and make progress together. In this process, they have invited each other to visit their most typical enterprises, without any reservation.

Third, definite keys. While the previous mutual help and emulation activities concentrated on comparing production output value and newly built items, the two cities have mainly concentrated their effort on learning from leadership ideology, leadership style and work method, and tentative ideas about development strategy. In this way, they have been able to raise leadership skills and find a new way for improving economic results. The city of Changzhou has found that the city of Wuxi has carried out its work conscientiously and meticulously. Consequently, Changzhou has analyzed its weak points and defined its goals for 1984 and measures for improving its work. The city of Wuxi has found that what particularly merits learning from is that the members of the leading group of Changzhou Municipal CPC Committee are of one heart and the people across the city are hard working.

[HK100921] Fourth, promoted joint effort. In carrying out mutual help and mutual emulation activities, the two cities have studied how to join forces in making technological breakthroughs, exploiting resources and developing economic exchange, information exchange, technological exchange, material exchange and personnel exchange. Consequently, they have expanded the scope of cooperation and made contributions to the construction of Shanghai economic zone.

The mutual help and mutual emulation activities between Changzhou and Wuxi have provided us with the following enlightenment:

First, in the interest of the formation and construction of the economic zone.

These two cities have previously put forth the slogan of emulating each other. But at that time, the key work of the CPC was yet to be shifted to economic construction. Therefore the activities were often characterized by political color, coupled with the bondage of the division by administrative regions. Under this condition, it was very difficult to carry out the activities. But



since the 3d Plenary Session of the 11th CPC Central Committee, and particularly since the decision by the State Council to experiment on the formation of Shanghai economic zone and municipal management over counties in Jiangsu Province, intercity mutual emulation activities have been enriched by new contents. These contents include how to resolve the contradictions between central government and localities, how to overcome the shortcomings of regional divisions and how to organize economic activities on the basis of the inner-relationship of economic development. Under this condition, the activities have naturally been included in the development and construction of the economic zone. Taking the whole country into consideration, each city must proceed from the whole and consciously regard itself as a "knot" of the national economic network. It must also organize cooperation and combination on the basis of the industrial development plan of the whole country and actively develop various economic relationships. Seen from the point of the range of the Shanghai economic zone, all the cities within the zone must consciously carry out the various forms of economic activities that are in the interest of speeding up the construction of the whole economic zone. The mutual help and mutual emulation activities between Wuxi and Changzhou have displayed active roles in promoting mutual understanding among the cities in the zone, defining the development strategy of each city, learning from others' strong points to offset one's weaknesses and in promoting economic coordination and joint exploitation.

Second, in the interest of integrating natural economic relations among cities with conscious launching of economic activities so as to avoid repetitious production and construction.

The economic pattern of any city should be an open rather than closed type. The economic relations of various trades and products must in no way be restricted by the division of administrative regions; on the contrary, they must be interrelated with each other. For example, in their long period of economic development, the cities of Wuxi and Changzhou have formed their own natural economic relations. These two cities have formed combinations in production, exchanged materials, and coordinated technology. A number of the major products of the electronic enterprises, machine building enterprises, plastic producing enterprises and chemical industrial enterprises in Changzhou need parts from Wuxi such as condensers, cables and plasticizer. On the other hand, Wuxi also needs Changzhou to provide castings, transformers, and chemical industrial products. Under the unified planning of the state and province the two cities have produced their own series of bicycles, radios, plastic products and fabrics with their own features. The economic relations of "contacts among people" in these two cities are even more frequent. But because of regional division, the situation of holding each other up often happens to affect the development of economic and technological combination and coordination between cities on a more conscious and wider basis. In carrying out their mutual help and mutual emulation activities, the cities of Wuxi and Changzhou have paid attention to solving this problem. For example, when Changzhou Plastic Industrial Company was learning from Wuxi, it found that the Wuxi No 1 Plastic Factory is producing serial revolving cases [zhou zhuan xiang 0719 6567 4630] with high specifications and standardization and complete varieties with users in various places across the country. [HK100923] Enlightened by the situation of the plastic plant in Wuxi, Changzhou Plastic Industrial Company decided to

change the situation of producing single products. This company has consequently turned out products with their own special features, gradually readjusted product structure to display its own advantages and as a result, it has been able to stand firm in competition. Following the development of the activities, the two cities have broader prospects in such aspects as economic exchange, transfer of messages and technological cooperation. Soon after the Spring Festival in 1984, leading comrades from these two cities exchanged views on the questions of economic theory and the experiences in ideological and political work and system reform. They also discussed the method for carrying out material coordination.

Third, in the interest of further displaying the roles of the various organizations of economic coordination.

The mutual help and mutual emulation activities between the organizations of the two cities have further displayed the roles of the original economic coordination organizations of the cities to expand intercity relations. Many of the earlier economic coordination organizations in Suzhou, Wuxi, and Changzhou such as the Suzhou, Wuxi and Changzhou goods and material economic coordination organization and Changzhou and Wuxi Chemical Industrial Bureau (company) are members of the chemical industrial economic coordination organization of 14 cities in the country. The Suzhou, Wuxi, and Changzhou coordination team of the Jiangsu medical herb wholesale center and Suzhou, Wuxi and Changzhou textile machinery industrial enterprise economic combination team have been consolidated and developed through mutual help and mutual emulation. The goods and material coordination between Suzhou, Wuxi and Changzhou was previously carried out by a few companies of the goods and material economic coordination combined organ has been formed, with the goods and material departments of the three cities being responsible in rotation for organizing the work of the goods and material economic coordination each year. At the end of last year, the metal companies of the three cities held a meeting on distribution of goods and materials. Consequently, they signed 514 contracts, with the transaction volume of various metals coming to 3,326 tons and in this way the supply of a number of the materials that were urgently needed for production and maintenance was resolved. The cities of Wuxi and Changzhou have also broken away from regional restriction in the supply of goods and materials and they have organized supplies on the basis of economic and rational demand. For example, certain areas in Wujin County are comparatively closer to Wuxi. Eventually, through exchange of quotas, the goods and materials bureaus of the two cities supplied goods to these areas to decrease transfer and save transportation fee.

Fourth, in the interest of improving economic results.

All cities have their own features and experience and they are similar in some aspects, and the advantages of carrying out emulation activities among nearby cities are 1) it is easier to make comparisons and 2) the results are more convincing. It is also easier to grasp and use the experience of others to improve work more rapidly and improve the efficiency and results of urban economic work.

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JOURNAL ON COMMODITY PRODUCTION, EXCHANGE

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[Speech by Liao Jili [1394 1323 4539] at the inaugural meeting of the Chinese Industrial and Economic Institutes: "Commodity Production, Planned Economy and Reforms to the Economic System"]

[Text] A new approach is to do joint research in commodity production, the planned economy, and system reforms. It is vital and very significant that we break through old frameworks and integrate new practical experiences in our research, coming to understand these experiences and to clarify their internal relations. Below I would like to discuss my own humble views of these problems.

1. Commodity Production

There are three main economic forms which have been recognized in human society: The natural economy, the commodity economy, and the product economy. The natural economy, the economic form which occupies the most dominant position, has long since become a thing of the past. The product economy is still a thing of the future for any and all countries. At present, all countries in the world without exception find themselves in the historical period of the commodity economy. Naturally the commodity economy is of a different nature and has different special feature depending on the socio-economic system in which it functions.

China used to be a country with a backward economy and an undeveloped commodity economy. During the early years of liberation commodity production developed very quickly. However, after the socialist reforms of 1956 and as a result of the influence of "leftist" thinking and a planning system characterized by the product economy system learned from the Soviet Union, our national economy gradually developed in the direction of the commodity economy. The major features of this economic model manifested themselves in: 1) The fact that social production relied on unitary planning adjustments and rejected the regulatory role of the law of value while enterprises had little or no production and management autonomy; 2) the fact that commodities were gradually developing towards distribution and allocation and important means of production were distributed but could not enter the commodity circulation market; 3) the fact that finances

gradually moved towards unified expenditure and revenue and economic accounting involved unified accounting with the state as the entrant unit while profits and losses were all borne by the state and everyone ate from the "big rice bowl"; 4) the fact that worker employment involved policies of unified contracting, and a worker entered a job and did not leave it and thus the system of the "iron rice bowl" was practiced; 5) the fact that foreign trade imports and exports were centrally controlled by the state; and 6) the fact that a unified deposit and release credit system was practiced.

More than 30 years of practical experience has proven that this transition to the product commodity does not fit the economic reality of China. If commodity production and commodity exchange are not developed then it will be impossible to solve a wide variety of problems. One of these is that if commodity production is not developed then there can be no rational division of labor in social production and hence no solutions for the enormous labor force. For example, in the countryside, household sideline industries were previously not allowed and diversified forms of management were not developed and hence 800 million peasants could only grow food to eat on an average of one mu per person. Things became increasingly difficult and there was an average labor surplus in the countryside of between 25 to 30 percent, thus creating enormous wastage of human labor resources. In the urban areas the fact that commodity production and commodity exchange were not developed meant that employment possibilities were also severely limited in the cities. Every year the several millions newly entering the labor force all wanted to be contracted by the state and thus contradictions grew increasingly intense and sharp. The second problem is that if commodity production is not developed then there are also difficulties in fund accumulation. Only when there is circulation can material resources and funds produce more money. Speeding up the CCDCU nation of material resources and funds means depending on large-scale development of commodity production and commodity exchange.

Since the 3d plenary session of the 11th CPC Central Committee, and as "leftist" errors have been corrected and the economic system has begun to be reformed, there has been large-scale development of both urban and rural commodity production and commodity exchange and the economy has been enlivened considerably while market supplies have been enriched visibly and there have been obvious improvements in the people's livelihoods. There have been enormous increases in the overall wealth of our society. In the future, in the process of achieving the four modernizations, China's agriculture will develop to become specialized, composite, technologically-intensive, socialist, modernized agriculture. The commodity rate of agricultural sideline products will increase by several fold or several dozen fold, and the industrial labor productivity rate will also increase by large amounts. The number of commodities entering spheres of circulation will greatly increase. The future prospects for the development of commodity production and commodity exchange are very good.

China's socialist commodity production and commodity exchange differs in one other fundamental way from the capitalist commodity economy and that is that our commodity production and commodity exchange is no longer spontaneous

and anarchic in form, it is planned. In China most commodity production and commodity exchange is included in the state's unified planning and conscious planned management is carried out. The various levers used to guide and regulate economic activities, including prices, credit, taxation, wages, and financial subsidies are all in the state's hands. Even that part of production and circulation regulated by the market has its sphere and scale determined and permitted by state planning. At the same time the state has also determined and implemented several stipulations and regulations aimed at strengthening market management, and management bodies have been established. All of this effectively ensures that commodity production and commodity exchange does not deviate from the rails of the socialist planned economy.

## 2. The Planned Economy

Ours is a socialist country and thus we must implement a planned economy on the basis of the system of public ownership. There is no doubt about this. However, if our understanding only stops at this point, we are left wanting in many ways. For this in no way answers the question of what kind of planned economy we should be implementing during this present period and what characteristics it should have.

Since commodity production exists in socialism, then its intensional law, the law of value, must be given full expression. The socialist planned economy must acknowledge and consciously make use of the role of the law of value before socioeconomic life can be effectively managed and regulated. This is a very fundamental question in running the socialist planned economy. So how should we make conscious use of the law of value in planned management? This requires concrete analysis of the macroeconomy and the microeconomy and the links between the two.

First, planned management must be based on objective economic laws and we must work to ensure that the macroeconomy is well managed and that the microeconomy is enlivened. The problems relating to the macroeconomy can be summed up as follows: strategies, proportions, policies, investments. Strategies refer to strategic targets for economic, scientific, and social development. Proportions refer to the major proportional relations between accumulation and consumption, light and heavy industry, and agriculture, fuel and raw materials industries and processing industries, and economic development and social development, as well as balances between finance, credit, foreign currency, material resources, the market, and the labor force. Policies refer to such economic policies as prices, taxation, credit, and wages, as well as other major economic and technological policies. Investments refer to the [word indistinct], direction, and focus of investments in fixed assets, as well as large- and medium-scale construction projects. With these things well in hand and well managed there is a basic guarantee for the coordinated and stable development of the macroeconomy. In this way work can be started on the microeconomy, with full expression being given to the initiative and liveliness of grassroots production and management units. Quick responses to market feedback information should be ensured so that products are marketable and so that the people's living

needs are met even better and so that the entire national economy may exude a lively and prosperous vitality. If no differentiation is made between the micro- and macroscopic and if all things, both large and small, are done according to planning, then we will deviate from reality and the economy will be over-managed and this will result in errors in planning policies. We have had profound lessons to learn in this area.

Second, at the same time as ensuring a balance in material objects efforts must be made to achieve a balance in the condition of prices. Attention must be focused on the distribution of the national revenue and comprehensively arranging the relations between accumulation funds and consumption funds, between production-type investments and nonproduction-type investments, and between capital construction and renovation and rehabilitation. This does not mean that we should ignore a balance in material objects, rather, it is only by sorting out these other relations that a balance in material objects has any chance of being achieved. If the national revenue is distributed excessively, if consumption funds are overly inflated, and if the purchasing power exceeds the actual growth in production then there is no way in which a balance in material objects can be achieved. In the past, we paid an enormous amount of attention to the balance in material objects but we did not put a balance in value in the important position that it should occupy and, although there was talk every year of comprehensive balances, in actual fact it was not possible to achieve a comprehensive balance. The fact that supply has never met demand for many things is not an inevitable result of planned management, rather it is the result of bad balancing work and the adoption of methods which exceed distribution. In the past what often happened was that while the growth rate in production was only 8 percent, distribution was carried out on the basis of a 10 percent growth rate in production and thus income was being anticipated and as a result the means of production were insufficient as were the means of subsistence. Hence, there was always an endless buyer's market. If in distribution we adopted the principle of maintaining a balance between overall supplies and overall demand, this kind of situation could be cleared up very quickly. During the 3 years of readjustments around 1960 this method was adopted. When the plans for 1965 were organized in 1964, the growth rate in industrial production was set at 12 percent with a 3 percent margin. In that year supplies of goods and materials and commodities improved considerably and the result of the implementation of the plans was a growth rate of 20.6 percent. Why was the growth so fast and market supplies better after the margin was included? Because with the margin included, funds increased and thus things grew in abundance and the weak chains in economic life were strengthened, gaps were filled, and proportional relations could be quickly readjusted during implementation.

With macroscopic plans organized, and comprehensive planning arranged, it is possible to allow enterprises to draw up their own annual plans and, on the basis of contracts, link up production and marketing and coordinate and adjust at different levels. In this way problems can be solved. If the economy throughout the country adopts the "factory method" to manage things, then big things cannot be tackled, nor can little things, and the inevitable result is a slide into passive incapacity.



Third, the law of value must be respected from the drawing up of plans to the realization of these plans and various economic levers must also be consciously used throughout this process. When we draw up plans, we must take as our central basis the social demand reflected in the unified market (including the market for consumer products and the market for the means of production). When stipulating planning tasks and construction projects, it is vital to do economic accounting and make a detailed comparison between input and output. This is a demand of the law of value. The implementation and realization of planning requires the utilization of the law of value to regulate the economic interests of various areas and to stimulate internal motivation to complete the planning tasks. In concrete terms we must be adept at making lively use of such economic levers as price, taxation, and credit, and by means of these levers we must guide and regulate the direction of policies for enterprise production and management so that microeconomic activities correspond with the demands of macroscopic planning. This way of doing things is often more effective than simply using administrative means. It is important to pay attention to the coordinated utilization of the various economic levers. For example, in the case of coal, prices are low and profits are small, and thus production cannot get going easily, so when plans are being arranged, price factors should be taken into consideration and if it is still not possible to solve the problem then tax regulations can be used. If this is still not good then the state can implement suitable subsidies. On the other hand, products in large supply have high prices and profits are good and thus it is always difficult to hold down production. Thus the prices of these products should be adjusted downwards or the tax rate on these products should be increased, so as to guard against blind production.

Fourth, establish a strong information system. When drawing up plans and using levers it is vital that information is taken as an important basis. If this is not done then actions may be taken blindly. The construction of a powerful information system is an urgent item of "capital construction" in China's economic management. In the future, enterprises, business, regions, and departments must all come to grips with information and in every major city composite and mutually-inter-linked information centers should be set up to form a national information network.

### 3. System Reforms

What is the fundamental starting point and basis for the reforms of China's economic system? To summarize it in one phrase: Maintenance of the planned economy and development of commodity production. These two things both touch on each other and are integrated together. When we talk of the planned economy what we mean is the planned economy with development of commodity production and use of the law of value. When we talk of commodity production what we mean is commodity production under the guidance of unified planning. On the basis of this principle what kind of economic system should we set up? Basically five systems are included. First, the system of ownership wherein public ownership is central but with diversified management in mutual coexistence. Diversified management includes state, collective, and individual management, joint management between the state and collectives, joint public and private management, joint domestic-overseas management,

and so on. Among these different economic components, diversified forms of unity and linkage can be carried out. The form of ownership and the form of management can be separate; one form of ownership permits several forms of management. Second, that policymaking system wherein the central authorities' centralized policymaking is central and the central authorities, enterprises, departments, and regions are all integrated and at different levels. Here the two levels of the central authorities and the enterprises are the most important and the most fundamental and these two are relatively the more "real" while the departments and regions are relatively speaking somewhat more "nominal." Third, the system of distribution wherein takes as its premise preservation of the state's interests and mutually integrates the interests of the state, the collective, and the individual. Fourth, the system wherein economic readjustments center around economic means and diversified economic, administrative, and legal means are also used. Fifth, the system wherein economic organization centers around the urban areas and which involves the construction of various kinds of economic zones and integrated economic bodies. We still do not have sufficient experience and we still need to implement pilot schemes and probe through practice.

So, as far as concrete work is concerned, what problems should be tackled today in reforming the economic system?

First, we must correctly handle relations between the state and the enterprise, and by means of thorough implementation of the substitution of taxes for profits, ensure that enterprises become relatively independent economic entities, bearing individual responsibility for profits and losses to differing extents and under differing conditions. The enterprise is the basic unit of social production and it is the source of the motivation and life of economic development. One important task in reforming the economic system is to unite all the unnecessary ropes restricting the enterprises and smash the situation in which enterprises "eat from the large rice bowl," mobilizing to the greatest possible extent the enthusiasm and initiative of the enterprises and the workers and spurring them on to carry out positive and lively production and management according to state plans and market demands. In order to achieve this, the best thing to do is to ensure that enterprises are responsible to varying extents for their own profits and losses and their own management, depending on the enterprise involved. Apart from the money which enterprises must hand over to the state by law, they are no longer obliged to hand over profits to the various levels of the competent authorities and after tax profits can be individually distributed by the enterprises according to the relevant state stipulations. When workers' incomes are linked to the results of management and the contributions of each individual, then where management is good, profits are high, contributions are great, and the enterprise and workers get correspondingly more. When management is poor and profits and contributions are low, then they receive correspondingly less. When losses occur, enterprises are individually responsible and production may be stopped or shifted. When all this is carried out, reforms in all other areas will be spurred on and this will bring about fundamental changes to the entire system of planned management and the economic system.

Second, we must construct a unified socialist commodity market. In order to develop socialist commodity production, there must be a unified commodity market. What is a unified commodity market? First of all in order for the means of production to become commodities, exchanges must take place in the market. If this problem is not solved then there can be no satisfactory exchange of the two major types of commodities. Over the last few years one channel has been increased and some means of production such as steel and machine and electrical products have been allowed to enter the market for exchange and thus [the economy] has begun to grow more lively. This does not mean that commodities cannot undergo distribution. However, means of production are, after all, commodities, and thus things must be done according to the laws of commodity supply and demand. Second, we must smash regional and departmental restrictions and allow free circulation. Third, there must be a commodity circulation network with many different channels and very few intermediate links in it, and there must also be a trade center. Around 85 percent of everyday products are accumulated and stockpiled in the wholesale "link" and only around 15 percent are in retail outlets. The tighter market supplies become, the greater becomes accumulation in wholesale links. We must solve this problem and we must develop a network with diversified channels and few links so that through circulation we may come to grips with production and link up production and marketing.

Third, we must uphold the first principle of economic results. In production management, it is vital to study the relations of economic results. To evaluate the quality of enterprise management we must look at economic results. Which is the most important, economic growth, economic balance, or economic result? First comes results. Only then can the relations between rate of growth, balance, and results be successfully handled. This is something which planning work should work hard to solve.

Fourth, we must uphold the principle of distribution according to work and we should not wield the iron rice bowl. Socialism needs people who are able to work, with everyone participating in work and everyone eating. However, enterprises are not the same thing as society. Enterprises use people according to the needs of production management, and sometimes these needs are greater, sometimes less. In cases of large requirements it should be society who undertakes the responsibility and not the enterprises. Wages should increase as production grows and productivity increases. If production and productivity decrease, wages should fall as well. They should not only rise and never fall. If there are problems of unbalanced development in production, and if wages only rise and bonuses only increase, where do the economic results come from? What should the state do? I believe we should construct a social insurance system and the surplus labor force should be handled by a labor services company. Some of this surplus would undergo training, and some would change their area of work, while others would seek work which would ensure the very minimum of their living needs. This question should be handled as a social problem so that enterprises can deal with it well.

At present, there are too many workers in enterprises and 4 hours of work is done in 8. This situation is not as good as having a 5-day week system, setting aside 1 day for study. This would be far better than everyone killing time together at work. In order to change the present situation, we must smash the old labor wage system. With millions of workers to support, we might as well change the way in which they live and support themselves. It used to be the enterprises that provided the support, now things are changing so that it is society which provides the support. It used to be the enterprises which provided guarantees for work and livelihood, now things are changing so that it is society that takes on that responsibility. In this way results will clearly differ.

The fifth question is the rational division of labor in party and government bodies and economic organizations. In order to reform the economic system we must reform the structure of economic management and reorganize our superstructure. At the moment we manage the economy according to the product system and there is no development in any one comprehensive direction. When there is a product, there is a need for a department to manage it, when a new product arrives, a new department is needed. Thus as products constantly increase and economic enterprises constantly expand, economic management bodies also constantly increase. It simply will not do for this situation to continue. Thus there must be a division of work between the party and the government and there must also be a rational division of work between the government and the enterprises, while the system of management according to the product system must be changed. The party and government bodies should only concern themselves with principles, policies, regulations, planning, and the training of technological forces, and so on. Economic tasks should be handled by the enterprises themselves. If enterprises handle these things themselves, it will be much better than the government managing them directly.

Finally, there is also a problem of strengthening the legal system and surveillance work. When the legal system and surveillance work are not dealt with well, it is very hard to establish regular procedures for the economy. Once these things are handled well, the national economy can develop even more prosperously along the socialist road.

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## ECONOMIC MANAGEMENT

### CHONGQING TRADE CENTER'S ROLE IN ECONOMIC REFORM

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[Article by Du Jinping [2629 6855 1627]: "Trade Center--A New Attempt at Comprehensive Reform in Chongqing City"]

[Text] Editor's note: It is an achievement for Chongqing City to have built a trade center in the process of carrying out comprehensive reform. And the formation of this center has changed the past method of distributing commodities to wholesale organs at various levels on the basis of administrative regions and displayed the role of Chongqing as a central city. This experience represents the direction of the reform of economic system in China. While large and medium cities can set up trade centers for industrial products and agricultural and sideline products, certain agricultural and sideline product distribution centers are also in a position to set up trade centers for such products. The combination and trade centers of various sizes will play a tremendous role in activating circulation and promoting production.  
[End editor's note]

The CPC Central Committee and State Council have decided to experiment on comprehensive reform of the economic system in Chongqing. The reform of the commodity circulation system represents an important link in the reform of the whole economic system while the reform of the wholesale system represents the key in the reform of the commodity circulation system. In order to be able to gradually form a complete wholesale network, it is imperative to expand commodity circulation, promote commodity production, activate rural and urban markets and display the role of the city of Chongqing as an economic center. It is for this purpose that we have set up the Chongqing Trade Center for Manufactured Goods early this year.

The trade center is housed in a 7-storey building. It is composed of 7 commodity departments of general merchandise, stationery, textiles, knitwear, metals, electrical appliances and chemical industrial products. These departments are doing business in various daily use industrial products and act as agents for the products of industrial and commercial departments, goods and materials departments, agricultural, industrial and commercial departments and rural and township enterprises, export oriented commodities

that are marketed domestically, goods for Overseas Chinese and imported commodities. Currently, a total of 342 factories in the city and other places have displayed more than 30,000 varieties of their products in this center.

Since it began operation 2 months ago, this trade center has organized small scale sale exhibitions on a number of occasions, with transaction volume totaling 130 million yuan. And of this figure, the transactions of supply fairs and sale exhibitions totaled 126 million yuan. A total of 6.1 million meters of locally made pure cotton cloth that has been stockpiled for a long time and 2.42 million stockpiled vests have been sold. Of the total transaction volume, collective and individual commerce made up around 60 percent. For example, on 15 March alone, a total of 114 units purchased goods from the textile trading hall, with a total transaction volume of 300,000 yuan. And of these units, 20 were individuals, and 41 were collective units, coupled with 6 supply and marketing cooperatives and 47 state retail shops. A collective shop from Guanyinqiao of Beijiang district purchased 60,000 pairs of stockings from the trade center for distant sale in Qijiang. This shop later purchased goods again from the trade center and these goods are being marketed in Guiyang and Bazhong. This practice is helpful in decreasing commodity circulation links and organizing manufactured goods for rural areas on the basis of rational commodity circulation. Certain trading halls have been able to investigate goods, write out receipts, make payment and transport goods on the spot. This method has been welcomed by customers because it is convenient and has shortened the purchasing time. By the end of March, the trade center had received a total of 27,000 personnel from more than 20 units that included industrial and commercial units, supply and marketing cooperatives and collective and individual units as well as peddlers in the province and city. It has also received foreign businessmen on 3 occasions. This shows that the trade center has begun to attract others' attention.

#### Why Is It Necessary To Form the Trade Center?

First, to meet the needs of displaying the role of a central city.

A central city is first of all a commodity distribution center. Production and the whole economy will be able to develop still better only when we can gradually form distribution centers. In order to build Chongqing into an economic center in the upper reaches of the Chang Jiang and to enable it to make contributions to the development of the economy in southwest China, it is imperative to build trade organs and a circulation network that are in a position through various forms of selling and purchasing to handle and regulate enormous amounts of products. It is only in this way that Chongqing will be built into a goods handling center to display its role as a central city.

Second, to meet the needs of the development of production.

The CPC and state have taken a series of measures over the past few years to relax policy and activate the economy. Thanks to these measures, the production and exchange of commodities have entered a new period of tremendous development. Currently, the distribution sector is being affected in two things. First, following the big development in agricultural production and



constant improvement in the commodity rate of agricultural and sideline products, the demand for industrial products in widespread rural areas has constantly grown. Second, industrial production has developed tremendously after readjustment and reorganization. Under this condition, a commercial medium is urgently needed so that products will be able to enter the consumer sector from the circulation sector as quickly as possible. The first area to be hit by these two things is wholesale trading. Because whether wholesale channels are smooth has a vital impact in the development of industrial and agricultural production. Constant development of commodity production and expansion of commodity exchange have demanded the formation of corresponding commercial organizations.

Third, to meet the needs of changes in market situations.

Following the development of commodity production, the supply of daily use industrial products has changed from tight to slack and abundant while markets have changed from sellers in the main to buyers in the main. These changes have reflected the following features: While commodities were distributed to various levels in the past, efforts now have to be made to sell them in a big way; in the past, consumers would rush to buy whatever products were available, disregarding their varieties, but now they are strongly selective in purchasing commodities; in the past, consumers could only buy products when they were available but now they will purchase products only when they need them. The commercial departments themselves have demanded to purchase readily available goods and they have paid much attention to convenience and results. In order to meet these changes in market situations, it is imperative for us to establish new purchase and sale forms.

Fourth, to meet the needs of reforming wholesale system.

The existing wholesale system is basically a copy of the model from the 1950's. It is true that minor reforms have been made over the past few years to break away from monopoly management, add circulation channels, introduce various methods of selling and purchasing and decrease circulation links, but the commercial wholesale system still remains basically unchanged. That is to say, wholesale organs are formed on the basis of administrative regions and they duplicate and block each other. Commodities are still distributed on the basis of one, two, three and zero (refers to wholesale organs at various levels and retail enterprises). As a result, with many links and little circulation, state commercial departments have failed to fully display their major circulating role and take the initiative in taking part in regulation by market mechanism. In addition, the situation in which certain commodities are unsalable in the market and certain other commodities are in short supply and commercial enterprises have high expenses, low results, and difficulties in carrying out their business is getting serious. Such a multi-link and closed-type wholesale system is becoming more and more contradictory to the changing situation. Many contradictions have cropped up between industrial and commercial departments, between commercial departments themselves, between regions, and between departments and rural areas,

which restrict commercial departments and hinder the development of the production and exchange of commodities. Therefore in order to activate circulation and economy, the existing wholesale system must be reformed and the monolithic-link and an open type of wholesale network must be formed.

#### The Nature, Task, and Method of the Trade Center

1. The nature of the trade center. The Chongqing Trade Center of Manufactured Goods is an economic united body that is composed of six specialized companies under the First Commercial Bureau. It is a comprehensive commercial organ with independent management and accounting. It represents an important channel for socialist commodity circulation and distribution center in the circulation between rural and urban areas. It also provides an opportunity for the state wholesale commerce to participate in regulation by market mechanism and an information center for the market of industrial products.
2. The management ideology of the trade center. The management ideology of the trade center is to follow the principle of "developing economy to ensure supply" and under the guidance of state policy, to resort to the law of value and fully display the role of regulation by market mechanism. The business operation is aimed at opening and activating, coupled with emphasis on reliable information, reasonable trading, complete varieties of products, preferential prices, convenient delivery and transportation, good service and prestige.
3. The tasks of the trade center. The tasks of the trade center include expanding exchange, promoting production, and activating market and economy. Concretely speaking, these tasks include: a) carrying out business the year round and holding sales exhibitions for the industrial products of the whole city, the whole province, and the whole country; b) acting as agent for purchasing, selling, storing and transporting as well as processing according to orders; c) holding various sale exhibitions, trading fairs, exchange fairs and goods regulating fairs; d) providing leasing services; 3) collecting and providing economic information; and f) carry out trading with Overseas Chinese and foreign businessmen.
4. The business range of the trade center. The trade center is doing business in various daily use industrial products that include general merchandise, stationery, textile products, knitwear, metals, electrical appliances and chemical industrial products. Other products include the means of production and subsistence that are marketed by the trade center as agents for industrial and commercial departments, goods and materials departments, agricultural and commercial departments and urban and township enterprises. It also trades the export oriented products that are marketed domestically, goods for Overseas Chinese, and imported commodities.
5. The management of the trade center. With regard to business management, the trade center has fully made use of the market system, coupled with economic methods and flexible and multi-form methods. The method of distributing goods through big scale fairs has been replaced by business methods and the exchanges of commodities that are carried out every day. The center has broken

away from demarcation between regions and between trades, and all the units with the ownership by the whole people, collective units, individuals and specialized peasant households in and outside the province with business licenses are welcomed to make transactions in the center.

6. The pricing method of the trade center. In order to promote business transaction, it is imperative to control prices flexibly, to change the past method of fixed allocation and transfer pricing and pricing on the basis of administrative titles of transaction. The product prices arranged between industrial and commercial departments and between departments themselves are negotiated on the basis of quality and they can be floated on the basis of the market situation. Wholesale prices have been introduced for all customers, with prices based on the volume of trade and product quality. The trade center has also introduced the system of price difference that includes seasonal price difference, quality price difference, specification price difference, model price difference and color price difference.

7. Profit distribution of the trade center. The trade center handles profit and loss on the basis of "equally sharing profit and commonly handling risks" and this means that the profit is distributed among the participating units that are also commonly responsible for loss. The profit retained by enterprises is distributed in the proportion of five, three and two. That means 50 percent of the profit is retained by the trade center for development funds; 30 percent is distributed among the participating units on the basis of profit made by various commodity departments, and the remaining 20 percent is for collective welfare funds and bonus funds for workers and staff members. The related units are responsible for the losses of their related commodity departments.

8. The organizational form of the trade center. The trade center is under the leadership and management of the First Commercial Bureau. It has introduced the general manager responsibility system under the leadership of the board of directors. A director of the bureau has been appointed chairman of the board and the six specialized companies have each sent a manager to take the post of director. The general manager is appointed by the board of directors. A functional organ has been set up on the basis of streamlining, coupled with the appointment of management cadres and professional staff.

In short, the trade center is determined to continue with the reform so as to smoothly circulate products. Measures will be taken to carry out integration in seven aspects in business. That is, to integrate self-managed business with agency; integrate self-managed business with united business management; integrate year-round business operation with regular sale exhibitions; integrate local products with those made in other regions; integrate domestic products with imported goods; integrate transaction of spot goods with futures and integrate big wholesale with small volume transactions. The trade center is also planning to make breakthroughs in the following six aspects. That is, decrease links for all customers; add more channels to promote smooth circulation; flexible pricing to sell more with less profit;

complete varieties of products with samples available for available stocks; various ways to activate sale and purchase; combining wholesaling with warehouses for the convenience of delivery and transport. In this way, the trade center will be able to attract industrial and commercial customers from various places to really promote business and open up sources of wealth.

### The Existing Problems

Setting up the trade center is a new project and the function of this center represents a bold breakthrough and exploration in the reform of the traditional circulation system. In addition, the center was formed just months ago and therefore more experiences are yet to be accumulated. Recently, the following problems have cropped up that have to be studied and resolved.

#### 1. The relationship between the trade center and specialized companies.

This is the first problem encountered by the trade center. The trade center is aimed at "opening and activating" and decreasing links, coupled with various forms and flexible pricing. And these features have seriously affected the existing circulating system. Therefore, to a certain degree, the business method of the trade center has affected the traditional business methods and interests of the related specialized companies. These specialized companies are worried that the trade center will become a rival, thus affecting each other's strength. Consequently, since they are worried, they are not conscientious enough in supporting the development of the trade center. Therefore, the business of the trade center will be affected and its development will be seriously hindered unless the problem is resolved.

In order to resolve the doubts of these companies and mobilize their initiative in running the trade center well, we have temporarily taken the following two steps. First, we have defined the division of business. The specialized companies are mainly responsible for planned channels and the trade center is mainly responsible for regulation by market mechanism. Specialized companies are to undertake the overall planning of production and sales of local products and to assign a portion of these products to trade centers. And trade center should be allowed to sell the surplus goods which specialized companies supply to them after fulfilling sale quotas, the surplus products which industrial enterprises supply to them after fulfilling production quotas, and those commodities which major commercial firms do not procure. Second, the interests of the specialized companies and the interests of the trade center have been linked. The trade center is the united economy body of specialized companies while the various commodity departments belong to these companies, with their own independent accounting and responsibility for profit and loss. Part of the profit is given to these companies (it is necessary at present that this part is preferential). This practice will help to eliminate the doubts of the specialized companies which will consequently become active in supporting the trade center.

#### 2. The relationship between the trade center and local industry.

In this aspect, there are contradictions between local products and the products made by other cities. Of the more than 30,000 kinds of commodities that are displayed at the trade center, about 70 percent are locally made.

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As this trade center has concentrated on displaying local products, it is in fact a comprehensive window for these products. But the task of the trade center is not limited to just popularizing and circulating local products; it must also be active in marketing the products of other cities. Consequently, there are contradictions between the trade center and local industry. According to our view, all things have dual natures. It is true that the imports of the products from other cities have placed pressure on local industry; but at the same time this situation also represents a motive force. In particular, commodity production has developed tremendously and commodity exchange is becoming more active, therefore we must not and cannot indulge in regional blockades or protect the backward. The competitive strength of a product lies in its quality and price and competition itself is helpful in promoting local industry to raise its standards, improve product quality, lower costs and meet the needs of the broad masses of consumers and in improving the whole social results. Therefore when viewed from a certain point of view, the trade center must market quality industrial products from various places. It must become a center where industrial products from various places and trades are competing. And this practice will gradually display its role in promoting the production of commodities in a big way, further promoting commodity economy and turning the city of Chongqing into an economic center.

3. Concerning the supporting facilities of the trade center. Before the trade center is able to provide good service for, and win honor from, the customers, it must have its own complete supporting facilities. We have found during practice that it is imperative for us to solve the following two problems. First, in order to carry out big business in a flexible way, it is necessary to build service buildings so as to provide accommodation and transportation. The trade center is now in its early stages and its service facilities are simple and limited. Therefore this trade center cannot hold big exhibitions and consequently it is difficult for it to expand business. Second, it is necessary to resort to modern scientific management methods and form a complete and stringent management system.

#### Tentative Ideas for the Future

A leading comrade from the State Council visited the trade center during his recent inspection tour of Chongqing. He said that the trade center represents a very good form for circulating commodities. He pointed out that given the constant growth in the supply of consumer goods in future, it is necessary to popularize this form in a planned way so as to gradually replace the old method of distributing industrial consumer goods on the basis of administrative regions. Following the directive of this leading comrade, we are determined to manage this trade center well and accumulate experience in practice and study so that it can be constantly perfected. The following are our tentative ideas.

First, run the trade center well according to reform.

We are not consistent in our understanding of whether it is necessary to manage the trade center or about such aspects as the nature of the trade

center. At the beginning, some comrades held that it is repetitious to set up the trade center and therefore they opposed it. They said that it would be enough if we were to strengthen the existing sales and purchasing work and sell more goods. These comrades did not understand the nature and task of the trade center. But now this problem has been basically resolved through study. Now the question is what methods should be adopted by the trade center. Some have suggested that the trade center use the existing method with slight improvements. This view in fact means building another wholesale department. According to the view of some others, the trade center should be a service and wholesale market that leases space for the exchange of goods. Our opinion is that according to the specific conditions of Chongqing, we must be bold in carrying out reform and opening up a new way for circulating commodities. The trade center should be turned into a new commercial organ that is carrying out regulation by market mechanism, has many channels and few links, and is opened flexibly with wide business relations. It must also be gradually formed into an information center for the industrial products market. Active measures must also be taken to create conditions for the formation of the united economic body into an economic body with combined business management and equal profit sharing.

Second, build the supporting facilities well so that the trade center will be able to carry out its role.

The trade center must have its own supporting facilities, such as trading halls, business rooms, warehouses, vehicles, a hotel and restaurants. Therefore we must carry out the present work in two aspects. First, do a good job of internal basic work so as to be able to carry out trading as soon as possible and second, build supporting facilities. The first step is to turn the more than 50,000 square meters of the warehouses around the trade center into distributing warehouses that are serving the trade center; to build 5,000 square meters of new service buildings; to decorate the nearby 3,000 square meters of underground air raid shelters for carrying out business activities and to build a 100-meter long footbridge for the use of customers. Efforts must also be made to win support from various quarters so as to do a good job of social service facilities and build various service facilities around the trade center such as banking, post and telecommunications, transport, medical and recreation facilities.

Third, to set up small trade centers so as to form a wholesale network.

We have initially planned to select a key town and a small trade center in each of the 12 counties under the jurisdiction of Chongqing so as to form a trade center network around the city. Trade centers only have economic relations among themselves and do not have subordinate relations and they are independent in carrying out business activities.

CSO: 4006/673



## ECONOMIC MANAGEMENT

### SHENYANG TO TRY OUT OVERALL ECONOMIC REFORM

OW141716 Beijing XINHUA in English 1442 GMT 14 Jul 84

[Text] Shenyang, 14 Jul (XINHUA)--The State Council has given northeast China's largest industrial city, Shenyang, permission to experiment with the overall reform of the economic system to accelerate modernization. The State Council's decision was made earlier this week, granting the city under the jurisdiction of Liaoning Province the same status in economic affairs as a province or a municipality directly under the central government.

Shenyang, a key industrial and communications center in the northwest, is so far the third province-administered city after Chongqing in Sichuan Province and Wuhan in Hubei Province to enjoy such enlarged power. The move is to gain experience for the restructuring of the economic system throughout the country.

The greater decision-making power will enable Shenyang to bypass the rigid administrative style of running the economy.

With the newly acquired power, Shenyang will serve as a central city linking economic activities of the whole northeast area irrespective of administrative divisions. The city will also enjoy power equal to a province in economic relations with foreign countries.

Expanded import of foreign technology and greater inflow of foreign investment are expected to bring the products of the city's 20 major industries up to international standards.

The city has prepared an economic development plan.

CSO: 4020/157

## ECONOMIC MANAGEMENT

### BRIEFS

JILIN'S ECONOMIC COOPERATION TIES--Following the establishment of economic and technological cooperation ties with Shanghai, Tianjin, Jiangsu, and Guangdong Provinces and Municipalities in 1983, Jilin Province signed agreements on further conducting economic and technological cooperation with Liaoning, Heilongjiang, Gansu, Shandong, and Ningxia Provinces and regions in 1984. A system in which Jilin Province establishes economic cooperation ties with fraternal provinces, municipalities, and regions, centering on Northeast China, North China, and East China, has been formed initially. [Excerpt] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 14 Jul 84 SK]

CSO: 4006/656

## FINANCE AND BANKING

### BANKS' ROLE IN TECHNICAL CHANGE IN ENTERPRISES

HK121001 Beijing RENMIN RIBAO in Chinese 6 Jul 84 p 5

[Article by Zeng Kanglin [2582 1660 7207] and Shui Shangyong [4451 1424 3057]: "Banks and Technical Transformation of Enterprises"--passages within slantlines published in boldface]

[Text] At present, there exist many problems in the technical transformation of enterprises, which can be summed up as follows: 1) there is a lack of clear understanding of the importance and urgency of the technical transformation of enterprises and a lack of definite plans and strong measures; 2) there is a leakage of capital funds, a decentralization of their utilization, and a lack of concerted action; 3) there is a lack of organization in scientific and technical forces, and a powerful and efficient contingent for technical transformation has yet to be formed; 4) there is a lack of flexible but powerful economic levers to promote the technical transformation of enterprises.

In accordance with the problems existing in the technical transformation of enterprises at the present stage, and the existing professional conditions of the banks, the banks can bring into play their roles in the following aspects:

/1. Doing a good job in the management of current assets, creating conditions for technical transformation./ Regarding forms of value, the current assets of an enterprise comprise the value of reserve goods and materials, the value of goods in production, and the value of its products. Regarding use value, it is given expression in raw materials, goods in production, and products. The latter constitute use value newly created, and the goods in production and raw materials will soon be changed into new use value; therefore, as a whole, current assets will take the form of products, and of newly created use value for circulation. This illustrates that current assets are the important factor, in both production and circulation. To do a good job in the management of current assets is, in essence, to base these important factors of production and circulation on the rational practice of economy. The acceleration of the circulation of current assets which we usually speak of means intensifying the roles of these important factors of production and circulation. At the present stage, our state-owned enterprises possess a large amount of current assets, while their circulation is slow, which is an expression of low work efficiency. Slow circulation means that goods and materials stay

for a long time in the production process, and indicates that the roles of a considerable number of important factors of production and circulation have not been brought into play. Thus, goods and materials are kept in stock for a long time in some localities, departments, and enterprises. They cannot be utilized in other localities, departments, and enterprises, while important factors of production and circulation will not become consumption, eventually leading to a reduction in total social products. Therefore, we must step up the circulation of current assets, and bring into full play the role of goods and materials. At the present stage, the current assets in the possession of the state-owned enterprises amount to 320 billion yuan, among which banks loans account for 75 percent, totaling 240 billion yuan. If they spend 3 percent less, a sum of about 10 billion yuan of current assets can be spent elsewhere, including on expenditures in the technical transformation of enterprises.

Generally speaking, the capital funds spent on technical transformation pertain to investment in fixed assets. If we say that all investments in the formation of fixed assets pertain to investment in capital construction, will spending in this aspect the part of current assets saved mean violating the principle of keeping the administration and utilization of capital construction investment separate from those of current assets? This is a question that should be defined explicitly on a theoretical level. The theoretical basis for the principle of keeping the administration and utilization of capital construction investment separate from those of current assets is the law of developing the national economy in proportion and in a planned way. Separate administration and utilization means placing the investment in fixed assets and the expenditures of current assets on a basis of a rational proportion and, at the same time, preventing the established rational proportion from being sabotaged. The present situation is one of excess in the possession of current assets; in other words, there exists an irrational proportion between fixed assets and current assets. Stepping up the circulation of current assets and practising economy in the use of current assets is precisely to set up and to make complete and perfect the rational proportion between them. Therefore, the practice will not violate the principle of separate administration and utilization. Of course, it will involve a process of exchange, for current assets to be converted into fixed assets. According to Marxist theory, in the process of exchange, commodity producers have to put in their commodities on the one hand, and to provide currency, which is expected to be recovered later, on the other. Therefore, when the material forms of the products of their enterprises are transferred, the products in the form of currency they get are but the return of the currency they have paid in advance. In the socialist economy of our country, the currency in circulation is all provided by the banks. The money from the sale of products by enterprises producing fixed assets deposited in the banks, or the loans returned to the banks, only represents the return of the currency which the banks have originally provided. The returned currency will be issued again provided the need exists in commodity circulation. This process shows us that the enterprises deposit their current assets in the banks in the form of currency, while the latter provide in the form of currency to act as an intermediary for commodity circulation. This is because current assets in the form of currency are also a kind of currency.

This explains that the current assets of the enterprises existing in the form of currency derived from the sale of means of production will become the means for other enterprises to buy fixed assets, with the banks as intermediary. Therefore, the conversion of current assets into fixed assets entails conversion not only in the form of use value, but also in the form of value. Such conversion in the form of value is completed by the banks, acting as intermediary, by turning current assets, in the form of currency, of the enterprises lying idle into currency exchanged for fixed assets. Under the condition of an excess in the possession of current assets, to convert part of current assets, in the form of currency as an intermediary, to goods and materials used in technical transformation will not cause an imbalance in the proportion between fixed assets and current assets. Such a practice will only turn part of the currency of current assets, originally an intermediary for material forms, into an intermediary for goods and materials for technical transformation.

/2. Taking an active part in organizing deposits in the banks, so as to collect capital funds for technical transformation./ Capital funds are the values of goods and materials in the course of the production circulation of material products. From the viewpoint of material forms, capital funds are the important factor in production and circulation. The deposits in the banks themselves have no value, they are only a kind of symbol for value, and not the important factor in production and circulation. Why is the organization of deposits in the banks capable of collecting capital funds for technical transformation? This is because the organization of bank deposits is capable of concentrating the power of the enterprises in the allocation of the value of means of production. On the part of the banks, the absorption of the enterprises' deposits is to concentrate the power of the enterprises in the allocation of the value of means of production, while the absorption of savings deposits is to concentrate the power of citizens in the allocation of the value of means of subsistence, and when the deposits of the enterprises or the citizens are temporarily not being used, the banks will be able to transfer the power of allocation of value to those units or individuals that are in need of the support of bank loans in the allocation of value. It is necessary to see that bank credit in our country has two features. It is the distribution of value and, at the same time, the provision of currency. The money in circulation through the issuing of loans and payments is at once capital funds (in reality, the right to ask for capital funds) and currency. Of the currency put into circulation through bank loans, part of it constitutes reuse of original loans, now repaid, and part of it is additional loans, (that is, additional to original loans). To absorb the currency put into circulation in the form of savings deposits, and to then pay it out again in the form of loans is actually to accelerate the circulation of the currency originally provided, so that its role as an intermediary of commodity circulation may be doubled in power. As to whether it is necessary to make an addition to the original loan, this will depend on the total sum of commodity value put into circulation and the speed of commodity circulation. Making additional loans is part of nature of a bank in creating sources of capital funds. Such creation of sources of capital funds is but the creation of the means of credit circulation, which is limited by the total sum of commodity value put into circulation and the

speed of currency circulation. Therefore, the significance in organizing deposits so as to collect capital funds for technical transformation should be understood in the following two aspects: from the angle of value distribution, it is to concentrate and transfer the power of value allocation; from the angle of currency circulation, it is to place the provision of currency under the planning, administration, and supervision of the bank, and to bring its role into play.

/3. Providing capital funds for technical transformation in accordance with credit loan policy./ The capital funds for technical transformation of enterprises derive from three aspects, namely, financial subsidies, funds raised by enterprises themselves, and loans from the banks. For a year or two, the national finance will concentrate capital funds to ensure key construction, while the major portion of the enterprises' funds which should be spent on the replacement of fixed assets will be spent on production circulation. Therefore, the major source of capital funds for technical transformation of enterprises is bank loans. The banks play a very important role in supporting the technical transformation of enterprises with capital funds. Since 1979, the banks have made intermediate and short-term equipment loans and loans for technical organizational measures, and have achieved remarkable results, but there have actually been some projects with economic results which are not too ideal, while some individual projects have become projects with doubtful prospects, and this is a problem that requires the summing up of experiences and lessons promptly, and our close concern. Regarding present conditions, there exists in some localities the phenomenon that some enterprises are in need of capital funds for technical transformation, whereas the banks have failed to cause all the funds with which they could arrange loans to be fully employed. Going into its causes, it is mainly because the existing credit loan policy is not fully suited to the needs of technical transformation, such as in types of loans, interest rates, lack of flexibility on loan terms, the remainder of a loan for the present year not being spendable the next year, and so on. In order to promote the technical transformation of enterprises, we propose increasing the number of types of loans, the implementation of different policies for interest rates, and the relaxation of deadlines for repayment of loans. For those projects of technical transformation of products to be developed as key products, preferential loans at low interest rates should be given; for the preparation of new products, loans should be made free of interest; loans should particularly be made for energy-saving projects; for the popularization and application of scientific and technological results, special loans should be given. To provide loans for the technical transformation of enterprises means to provide capital funds in the form of currency, which is the motive force for the movement of capital funds; to provide capital funds in accordance with the credit loan policy is to enhance the role of capital funds in the form of currency as the first motive force in technical transformation.

/4. Relaying economic information to open the market for technical transformation./ Generally speaking, the purpose of the technical transformation of enterprises is to heighten production capability, namely, increasing output, improving quality, reducing consumption, lowering production costs, enriching



varieties, and meeting social needs. As to the suitability of new kinds of products, new products following technical transformation in particular, research on their feasibility must be carried out. This requires a supply of economic information. From the angle of circulation, economic information involves chiefly the supply and demand condition of the market. Marx said: "Everyone is trying his best to understand the general condition of supply and demand; and this understanding will in turn exert practical influence on supply and demand," and pointed out that such understanding was derived from quotations lists, exchange rates, correspondence and telegrams between commercial operators, and so on. "Through these, every individual can know about the activities of everyone else, and tries his best to suit his own activities to theirs." ("Complete Works of Marx and Engels," Book 1, Vol 46, p 107)

Naturally, these discussions of Marx dealt with production circulation under private ownership. However, when the commodity market has developed onto a world scale, and when people's economic life is all the more dependent on the market today, they are still of great significance. At the present stage, economic information is valued as "intangible wealth," "the second natural resource of mankind," and "one of the three pillars of social progress." Some people say, "differences between actual strengths of national economies are differences in technology, and also differences in capability of absorbing information." Under the condition of capitalism, to master economic information is to master the market, which will bring profits; therefore people attach great importance to arming the information organs with advanced science and technology, so as to collect and pass on information. Under the socialist condition of our country, generally speaking, production circulation is carried on in a planned way. However, the drawing up of a plan and its implementation cannot be done without information. As production and circulation are mainly organized by the production circulation units of socialist public ownership, what we should know about is not the commodity supply and demand condition of the individual, but that of the unit, department, or region. The understanding of this situation will provide conditions for analyzing and studying the feasibility of products. The market in our country is wide. In order to provide conditions for analyzing and studying the feasibility of products, it is necessary to do so in an organized way, and it requires the coordination of relevant departments. The banking departments possess many advantageous conditions for mastering economic information: They have networks of branches all over the urban and rural areas, they have large contingents of professional workers who are familiar with the operational activities of production, and they have an organization form of collecting and passing on information, working in coordination with other banks. It can be said that the banks most easily feel the pulse of the national economy. This is because the circulation of currency and the movement of capital funds have permeated every aspect of economic life. From the viewpoint of a region, the reason the bank possesses comparatively strong power to permeate economic life lies also in the fact that its professional activities are free of the limitations of value distribution and of the interests of the region. The bank is the department administering capital funds, and the movement of capital funds depends on that of goods and materials, which is determined by whether use value conforms to the needs of the consumers. Therefore, if the professional activities of a department are confined to the formation of value and distribution, less attention

will be paid to the supply and demand of use value. Economic information deals chiefly with the supply and demand of use value, which is closely related to the movement of the capital funds of credit loans of the banks. In addition, as banks at lower levels are all branches of central banks, and not local banks, their professional activities are not limited by the interests of the departments themselves or of a region, as in the case of other local departments. Hence, they are enabled to adopt the position of "onlookers who remain sober and objective" in collecting, organizing, and passing on economic information, making it more accurate, comprehensive, systematic, profound, and truthful.

At present, there exists the phenomenon of the "divorce" of scientific research from production. It takes a very long time for science and technology to converge into a productive force. One of the reasons is that the channels for science and technology to converge into a productive force are blocked. In order to solve this problem apart from drawing up correct economic and technological policies (such as the implementation of technical transference with compensation), it is very important to adopt measures to dredge the channel. Doing so involves the establishment of connections and the bridging of gaps. The banks are characterized by the possession of many networks, by being informed by wide-ranging antennae, and there is ample scope for their abilities. To establish connections, to bridge the gaps, and to dredge the channels for technical transformation also means to participate in production, and to serve the customers on one's own initiative, which is determined by the nature and function of socialist national banks. The banks of our country do not simply deal in deposits, loans, and remittance, but have a function in organizing the economy. It is part of the responsibility of the banks to render services to technical transformation, and doing so is not "ignoring one's proper occupation."

CSO: 4006/667

## FINANCE AND BANKING

### BRIEFS

SHANXI TREASURY BOND SUBSCRIPTION--By 10 June, Shanxi Province had subscribed for 99.67 million yuan of treasury bonds, fulfilling the state-assigned quota. [Excerpt] [SK140554 Taiyuan SHANXI RIBAO in Chinese 22 Jun 84 p 1 SK]

HEILONGJIANG REVENUE--As of the end of June, Heilongjiang Province had fulfilled 54.5 percent of the state-assigned annual revenue plan and 46.3 percent of the state-assigned annual expenditure plan. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 10 Jul 84 SK]

JILIN INSURANCE BUSINESS--Since the beginning of this year, Jilin Province has scored gratifying achievements in developing insurance businesses. Over the past 6 months, a total of 10,185.87 million yuan worth of property has been secured through insurance programs, an increase of 54 percent over the corresponding period in 1983. At the same time, income from insurance businesses has reached 25 million yuan. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 18 Jul 84 SK]

CSO: 4006/667

## INDUSTRY

### FORTY YEARS OF SHIP ENGINEERING IN CHINA

Shanghai CHUANBO GONGCHENG /SHIP ENGINEERING/ in Chinese No 1, 1 Feb 84  
pp 1-5

/Article by Yang You /2799 3579/, Xin Yuanou /6580 0337 2962/ and Wang  
Renxiong /3769 0088 7160/

/Text/

#### (I) A Historical Review

China's shipbuilding industry has had a long and colorful history; wooden vessels first appeared 3,000 years ago during the Shang Dynasty. During the Han Empire, over 2,000 years ago, the wooden sailboats were already equipped with rudders and controllable sails for traveling under varying wind conditions; also, many different types of military and civilian boats had been developed. At that time, it was already known that long, narrow vessels could travel fast, whereas short, wide vessels had good stability. During the Tang, Song, and Yuan Dynasties from the 7th century to the 13th century, Chinese merchant ships sailed to the Indian Ocean and established active trade relations with Southeast Asia, Persia, and Arab countries. At the beginning of the 15th century, Ming Dynasty navigator Zheng He led a huge fleet of more than 60 ocean-going vessels and many other support ships to countries around the Indian Ocean Indonesia, Malaysia, India, Persia, Arabia, and East Africa; the seven voyages extended over a period of more than 30 years. In the mid-17th century, the Chinese folk hero Zheng Chenggong led 300 warships in defeating the Dutch colonists and regaining Taiwan. By the mid-19th century, Chinese sailing vessels were still active in Southeast Asia, and their activities made positive contributions to the local trade.

During the 19th century, European capitalists invaded the East; the privately operated Chinese sailing vessel industry could not compete with the giant Western shipping and trade companies, and began to decline. But the fine performance of Chinese sailing vessels continued to enjoy recognition around the world for a very long time. In 1974, an ancient Chinese sailing vessel from the Song Dynasty was excavated from Qianzhou Bay in Fuzhou Province. The vessel was approximately 30 m long and 10 m wide; it had a slender hull and a V-shaped cross section. The outer hull

was made of 3-ply wood planks, and the vessel had two large masts; even by the technical standards of modern marine science, this was a good-quality ocean-going sailing ship. The traditional structures and equipment found on Chinese vessels such as water-tight compartments, folding, balanced hard covers, horizontal rudders, and cover flashings have long proven to be effective and are used to this day.

China's modern shipbuilding industry began in the mid-19th century. At first, ship repair yards were established by Western businessmen in Guangdong, Huangpu, and Shanghai. In 1865, the China Government established the Jiangnan Manufacturing Bureau in Shanghai to manufacture munitions and build ships. In 1866, it set up the Fuzhou Ship Administration in Mawei, Fujian Province. Within a few years, these two yards produced many wooden-hull steam-engine ships ranging from 600 tons to 2,800 tons; they succeeded in producing iron-hull ships by the mid-1870's and steel ships by the mid-1880's. In 1885, the Jiangnan Manufacturing Bureau built a 69-m long, 1900-hp steel ship, the "Baomin;" by the end of the century, the Fuzhou Ship Administration built a 860-ton, 6,500-hp torpedo cruiser the "Jianwei." Subsequently, China's naval construction was basically halted, and all yards were devoted to building civilian vessels. At the beginning of this century, Shanghai Shipyard built several passenger and cargo ships including the Chang Jiang river boats "Jiangxin" and "Jianghua;" they were 100 m long, weighed 1,900 tons, and carried 300 passengers. Later, the light passenger and cargo ships, "Longmao" was also developed for operating along the upper reaches of the Chang Jiang; its speed reached 14 nautical miles per hour. In 1921, the Jiangnan Shipbuilding Bureau built four 10,000-ton transoceanic cargo ships, the "Guanfu" model for the U.S. Department of Marine Transportation, and in 1936, the 2,500-ton, 21-knot cruiser, the "Pinghai" was completed. These ships were the largest merchant ships and naval vessels built under the old Chinese Government.

In 1866, the Fuzhou Ship Administration established a "preschool" to train marine engineers and a craft school to train skilled technicians. This was China's first modern shipbuilding school, from which many engineers and technicians were graduated; unfortunately it was closed down in 1911. In 1917, the old Chinese Navy established an airplane and submarine school for training personnel in aeronautics, shipbuilding, and power plants, but it was closed down in just 1 year. In 1937, Tongji University began offering courses in ship engineering, and later established a department of shipbuilding. In 1939, the Chongqing Merchant Marine School established curriculum in shipbuilding, which in 1943 became the department of shipbuilding of Jiaotong University. Subsequently, a number of other schools also established curriculum in shipbuilding. At that time, only a few large shipbuilding companies had ship design offices capable of designing vessels for river and coastal travel.

## (II) The Early Days of The Chinese Society of Naval Architecture and Marine Engineering

In 1943, the Chinese Society of Naval Architecture and Marine Engineering (CSNAME) was established in Chongqing. There were only 30-some members and technical activities were very limited. The Journal of CSNAME, "Shipbuilding in China" first appeared in 1948, and only three issues were published before the new Chinese Government took power.

The Society was established during a very difficult period of Japanese invasion. Most of the coastal regions were occupied by the invading army, and most river transportation was cut off. The only shipbuilding capability was centered around Chongqing and the upper sections of the Chang Jiang: During this time, certain types of river boats were designed and built. One of them was the "Min Wen," which was a 40-m long, 1600-ton, 1000-hp twin-screw steel vessel. During the war, a total of 1,000 traditional type sailing vessels and 100 improved sailing vessels were built.

Because of the war, six big river steamers were moved to the upper sections of the Chang Jiang and underwent major repairs before the post-war recovery effort got underway. Limited shipbuilding capability also existing in other parts of China, where various types of work boats, tugs and lighters were built. Due to the limited supply of steel plate, many boats were constructed of wood and some had a composite wood and steel structure.

After the 2nd World War, the center of shipbuilding was again moved to Shanghai. It was not long before electric arc welding technology and the method of segmented assembly were introduced to China. The passenger/cargo ship "Min Feng" which operated along the upper sections of the Chang Jiang was China's first electrically welded ship. It was 40.5 m long, had a 270-ton payload capacity, and a 2000-hp engine. In 1948, the largest Chang Jiang river boat, the "Min Su," was built. It was 73 m long, had a 1000-ton payload capacity and a 4000 hp engine; it could carry 200 passengers, and its trial speed was 16.5 knots.

The shipbuilding industry of old China primarily consisted of repairing and building river boats. Most of the materials and equipment were imported; ship design capability was very limited, and ship engineering research was almost non-existent.

## (III) Ship Industry During The Economic Recovery Years

In 1949, just before the birth of new China, ships were urgently needed to provide military transportation for the on-going war, to provide materials between urban and rural areas, and to supply fuel and food to the big cities. Despite war damage, the ship yards in Shanghai built several hundred river rugs, lighters, and motorized junks within a year. In 1951, the Administration of Ship Industry, a part of the Ministry of Heavy Industry, and the predecessor of the Chinese Ship Industry



Headquarters, was established to manage all large shipbuilding companies in China. At that time, most of the efforts were concentrated on the development of inner river shipping. The major ship models developed included: 1) a 2000-hp shallow water tug which could tow three 500-ton cargo lighters or carry 250 tons of cargo while traveling at high speeds in a fast current; 2) the 900-passenger river boat "Min Zhong;" and 3) the 1700-ton cargo ship "Da Zhong." This marked the beginning of divided passenger and cargo transportation along the Chang Jiang.

A short time later, coastal shipping also recovered and began to expand. In 1955, the 500-passenger "Minzhu-10" steam engine passenger/cargo ship was built. Each cabin of this ship was equipped with heating and ventilation; it also had complete life saving and safety equipment. In 1958, a 5000-ton coastal cargo ship, the "Hefing-25" was built; it was powered by a Chinese-built 2400-hp single flow steam engine. Subsequently, the 3000-ton steam engine cargo ship "Hefing 49," and the diesel engine cargo ship "Hefing 50" were built. These two ships were less than 100 m long, and had a draft of only 6 m fully loaded; they could be accommodated at most large and medium size ports along the coast. These ships were considered to be the most economical and practical ships of that time because their load capacities were consistent with the cargo volumes of most coastal ports. The construction materials, main engines, and various equipment of these ships were all manufactured in this country. During the first 5-year plan from 1953 to 1957, China also built a variety of combat vessels and support ships, including escort ships and submarines, thus bringing China's naval construction to a new era.

In 1950, the design group of the Shanghai Marine Technology Office was established with a total number of approximately 80 working members. Three years later, it was expanded into the Ship Design Office, which was the predecessor of the Chinese Ship and Marine Engineering Design Institute. In the same year, the Chang Jiang Ship Design Institute was established in Wuhan. Its role involved designing not only transport ships but also many types of engineering vessels and fishing boats.

In 1954, China's first ship model basin was completed; later, a number of cantitation tanks, open-air basins, and wind tunnels were also constructed. In 1956, the Shipbuilding Research Institute was established to engage in the following research areas: fluid mechanics, structures, marine power plants, navigation, calibration of magnetic effects, and instrumentation. The initial research efforts were devoted to the basic problems in testing, measurement, and analysis techniques; studies of the drag characteristics of Chang Jiang passenger and cargo ships as well as coastal ships were performed to support the shipbuilding effort. In addition, experimental research involving several types of trawlers and lighters was also conducted.

During this period, most old shipyards and factories underwent major renovation and expansion. Specifically, a factory design institute was established in 1953. In order to accommodate welding and segmented construction techniques, the production lines and factory floor plans were rearranged and heavy cranes and welding equipment were installed. In addition, electrically operated longitudinal and lateral sliding rails and horizontal ship platforms were constructed.

During the period of economic recovery and the first 5-year plan, a significant amount of groundwork was accomplished toward future development of China's shipbuilding industry and marine engineering technology.

#### (IV) On The Way To Self-Reliance and Independent Development

After the successful completion of the first 5-year plan, China's metallurgical, machine-building, and electrical industries gradually matured; the shipbuilding industry also made significant progress. During this 5-year period, the shipbuilding industry grew by 500 percent, and the team of shipbuilding engineers and technicians also grew rapidly. This was a transition period in which China's ship engineering technology changed from copying other designs to independent research and manufacturing.

In 1961, the diesel-engine coastal passenger/cargo ship "Minchen-18" was built. It could carry more than 800 passengers, and its top speed was 14.5 knots; the cabins were air-conditioned, and their decor was of the highest standards of that time. The 10,000-ton ocean-going, "Dong Peng," which was designed and built using Chinese-made material, engines, and equipment, was completed in 1965. The hull was made of low alloy steel; the power plant was a Chinese-built, 8820-hp low-speed diesel engine, and the cruising speed was 17 knots. The construction of this ship promoted the research and development of China's marine engines, electrical equipment, and instruments. Subsequently, the more efficient "Zaoyang" series of cargo ships were built. Also, the Institute of Marine Science conducted extensive experimental research for improving the configuration of ship design. With the rapid development of China's northeast Daqing oilfield, oil tankers of the 4500-ton class and the 15,000-ton class were built to meet the urgent needs of coastwise shipping of crude oil. In the process of building these ships, the design research units conducted studies on the design of full body ships with square coefficient of 0.8.

A variety of ships were designed and built during this period, including ocean survey ships, dredgers, crane ships, ice breakers, buoy tenders, cable laying ships and gold mining ships. There was also significant development in the construction of fishing boats; in addition to the larger trawlers, other types of vessels such as fishery inspection boats, command boats, refrigerated transport ships, and whalers were also built. Some of the fishing boats were equipped

with variable-pitch propellers; others were equipped with hydraulic deck gear. As early as 1960, a passenger hydrofoil vessel, the "Chang Jiang Hydrofoil No. 1" was constructed; it could carry more than 50 passengers and travel at a speed of 62.8 km/hr. Subsequently, a 1.8-ton side-wall experimental hovercraft and a 4.8-ton full-cushion hovercraft were built; the latter was tested at the dangerous rapids of the Chuan Jiang and the Jinsha Jiang, operating at speeds as high as 56 knots.

During this period, ship design and research organizations also underwent rapid development. The original ship design institutions located in Shanghai and Wuhan were all expanded. The Ship Research Institute became the Chinese Ship Research Center. The Center had constructed several major test facilities, including a 474 m-long tug basin, sanitation tank with a 0.8 m-diameter test section, as well as wave-resistant model basins, controllable model basins, and large wind tunnels. Facilities for testing hull structures, components, and materials and for conducting vibration tests were also constructed. The Shipbuilding Technology Research Institute was established in 1961. At the same time the Ship Transportation Research Office and the Ship Design Institute were established in Shanghai as part of the Ministry of Transportation. Ship engineering and ocean engineering departments were established at higher institutions at shipbuilding bases such as Dalian, Tianjin, Shanghai, Wuhan, and Guangzhou; a similar curriculum was also set up at the Harbin Ship Engineering College, the Zhengjiang Ship College and other mid-level shipbuilding institutions. Armed with strong faculties and good test facilities, these schools constituted a major force in science and technology.

During this period a great deal had been accomplished by the research and design institutions. In order to build ocean-going cargo ships and large oil tankers, they studied and compared the drag characteristics of some of the superior foreign ship designs. Since the 1970's, they have conducted experimental research on the effectiveness of ball head, the elimination of head bilge turbulence, and the elongation of parallel mid-sections. In order to mass produce Chang Jiang river craft, in the 1960's they conducted two series of tests on Chang Jiang ship designs, and published design curves and regression equations for drag calculations. In addition, they also conducted series of experiments on Chang Jiang lighter fleet formation and performed studies on ship designs with longitudinal-flow wave suppression.

In the area of ship propulsion, they developed a number of high performance propeller designs such as variable-pitch propellers, cascaded propellers, double guide tube propellers, single guide tube propellers, simple guide tube propellers, knife blade propellers and sanitation propellers.

In order to comply with the stability requirements of ocean borne ships, experimental research studies were conducted on the roll-damping characteristics and the location of center of water pressure.

In the area of hull structure, many ship strength tests and vibration tests were carried out; a number of structural model tests and theoretical analyses were also performed and the causes of several shipwrecks were analyzed. These efforts formed the foundation for the document "Specifications for Constructing Steel Ships," which was written in accordance with the status of the construction and operation of China's ship industry.

Since the 1970's, electronic computers have been increasingly used in ship production and research. A series of computer programs have been written to carry out calculations of ship performance characteristics and hull structural analyses. Mathematical models are now being used in practical design applications.

In the area of manufacturing technology, the techniques of automatic gas cutting with photoelectric tracking, carbon dioxide protective welding, and plate electrode residue welding have been successfully used; automatic steel pre-processing lines have been installed in a number of shipbuilding factories.

Significant progress has been made in the construction of steel-wire concrete vessels in this country. A great deal of effort was devoted to the experimental research of the structural strength of these vessels and the manufacturing techniques to improve manufacturing conditions and processing quality. On the basis of research results and practical experience, two documents were published: "Specifications for Constructing Inland River Small Steel Wire Concrete Vessels" and "Specifications for Constructing Steel Wire Concrete Ocean Fishing Boats."

Work on ship standardization began as early as the late 1950's. By 1961, 585 ship standards had been established. In 1973, the ship standardization committee was established, and 53 subcommittees dealing with the technical aspects of ship models, engine models, electromechanical equipment, and loading/unloading gear were formed. By 1979, 928 ship standards were established and several basic technical documents including the "Technical Nomenclature of Ships" were published.

During this period, a number of major shipbuilding and repair factories such as Bo Hai, Shanhaiguan, and Wenchong were constructed; a series of factories to produce main engines, auxiliary engines, and instruments were also constructed to form a complete production system of the ship industry.

As a result of the extensive amount of groundwork, ship production continued even during the 10 years of turmoil. The ships produced included the ocean-going bulk cargo ships "Fenglei," "Daili," and "Qingyang," several 16,000-ton and 25,000-ton broken cargo ships, 24,000-ton and 50,000-ton oil tankers, and the 900-passenger coastal ship "Changzheng;" other ships were also built during this period, e.g., a 10,000-ton class hydraulic dredge, a 950-passenger Chuan Jiang passenger ship "Dongfanghong 38," a 4000-hp Chang Jiang pushboat,

a 2600-hp ocean rescue tug boat, a 900-hp harbor tug boat, 450-hp trawler, and a 600-hp fishing boat. Six 10,000-ton class floating docks such as the "Huangshan" were also completed and put into production in the mid-1970's.

However, during this period the Chinese ship industry only concentrated on the quantity of production, and paid no attention to the advancement of technology or the improvement of quality, and neglected the development of new products. On the other hand, during the same period, marine science and ship technology in other countries were advancing rapidly; huge oil tankers and cargo ships, containerized cargo ships, roll-on roll-off cargo ships, liquified natural gas ships and the development of ocean engineering greatly changed the face of the ship industry. As a result, the gap between China's ship technology and that of developed countries widened.

#### (V) Striving To Improve Ship Quality and To Develop New Product Lines

Since 1978, when the Government shifted its emphasis to socialist modernization, the ship industry gradually returned to the road of healthy development. During the five-year period, not only production of previously designed and improved ship models continued, but many new ship models such as the 5000-ton class bulk cargo ship, loose cargo ship, the 7000-m<sup>3</sup> log transport ship, and the 1,252-passenger Chang Jiang river boat "Dongfanghong-11" were also developed.

Building ships for export has been an important trend of the ship industry in recent years. The 17,500-ton multi-purpose dry cargo ship "Haijian" and the 16,000-ton "Luban" built in 1981 are of comparable quality to foreign ships of the same class. Later, other export products including the 27,000-ton and 36,000-ton loose cargo ships, the 12,300-ton and 4,400-ton multi-purpose dry cargo ships, and the 11,000-ton compartmented cargo ships were constructed.

Ocean engineering has been another important area of development of China's ship industry. In the mid-1970's, several "Bo Hai No. 1" jack-up drilling rigs with a depth of operation of 30-40 m, and the "Kantan No.11" shallow catamarkan drilling ship were constructed. Later, the "Shengli No. 1" shallow water submerged type drilling platform, a 24,500-ton single-point anchor system and oil storage ship used in the Bo Hai oilfield, and a 500-ton crane ship were also constructed. Recently, the Dalian Shipyard and the Huangpu Shipyard succeeded in building the U.S. (Beck) Co BF-III type and the Bethlehem JU-200MC type jack-up rigs and 4000-hp and 6000-hp supply ships for export.

There are more than 80 different types of passenger ships, cargo ships, oil tankers, tugs, lighters, engineering vessels, and fishing boats currently being produced by medium and small shipbuilding enterprises across the country.

In recent years, the research work in shipbuilding science have been concentrated on two areas. One is to solve the problems encountered in ship production, such as the problem of deck strength for large-bay, multi-purpose dry cargo ships and compartmented cargo ships, the vibration problem of the stern section, the noise problem, the problem of abraision of propellers due to canitation, and the stability problem of fishing boats. The other area is to resume and expand areas of basic research such as the theoretical calculation of wave drag, application of the theory of propellers for design calculations, and the calculation of structural load and dynamic response.

Since the mid-1970's, electronic computers have been used extensively in ship engineering. The Hull Construction System HCS and the Pipe Computer Programming System PCPS developed by the Shipbuilding Technology Research Institute are already in use at several shipyards; the latter is being marketed internationally. Currently, a number of organizations are in the process of developing computer aided design systems for multi-purpose dry cargo ships, loose cargo ships, and oil tankers. A series of computer programs for calculating the structural properties and for performing strength analysis in ocean engineering have also been developed. At the present time, the major research topics include: large tonage, shallow-draft ship models, energy efficient ship models, dynamic performance and strength analysis of ocean engineering structures, vibration forecast, vibration reduction measures, etc.

The bulletin of the Chinese Society of Shipbuilding Engineering, "Shipbuilding of China," was discontinued in 1966 and did **not** resume publication until 1978. In the same year it started publishing the journal "Ship Engineering" and a popular magazine "Naval and Merchant Ships."

Today, China's ship industry is faced with several challenging tasks. There is an urgent need to replace China's current shipping fleet; and one of China's national policies is to accelerate the development of marine transportation. There is also an urgent need to modernize our fishing boats and to develop our deep-sea fishing industry. Naval construction is another important but very difficult task. Off-shore petroleum exploration has become a booming business. And encouraging results have been obtained in building ships for export. We believe that by closely coordinating the development of ship technology with ship production, providing good support in materials and equipment, improving product quality, strengthening scientific management and increasing production efficiency, it is possible to raise the standards of China's ship industry and ship technology to a new level, thus making greater contributions to China's socialist construction.

3012

CSO: 4013/118



## INDUSTRY

### FORTY YEARS OF MARINE ENGINEERING IN CHINA

Shanghai CHUANBO GONGCHENG /SHIP ENGINEERING/ in Chinese No 1, 1 Feb 84  
pp 6-12

/Article by Shen Yuerui /3088 1471 3843/, Huang Yan /7806 3508/ Wang  
Yunxiang /3769 0061 4382/

#### I. Early History

/Text/ The marine engine industry in China began its development at the same time as the shipbuilding industry, near the end of the China Dynasty. At that time, the industry was mainly providing maintenance and repair services for the Navy and commercial ships; it also repaired and rebuilt ordinary machines for other industries. Before the Japanese war, the Jiangnan Naval Shipbuilding Bureau in Changhai and a few foreign shipyards were staffed with engine designers who, in addition to repair and renovation work, also designed a few reciprocating type steam engines, boilers, and auxiliary engines for small ships. The largest military ship built by the Jiangnan Shipbuilding Bureau during this period was the "Ping Hai" light cruiser, built in 1936. It had a length of 360 feet, a beam of 39 feet, and a draft of 22 feet, displaced 2,383 tons; it was powered by two 3000-hp reciprocating type steam engines. The main engines and the boiler were built under the direction of the pioneer marine engine designers Mr Situ Fuchuan and Mr Guo Xifeng.

Later, Mr Wang Pingxian designed a 1000-hp, 300-rpm steam engine which was used extensively on medium and small warships and river vessels. It was a small, light-weight engine supported by steel columns; it remained in use until after the liberation. Just before China's liberation, Chinese shipbuilders designed and built the "Bo Xian" coastal passenger/cargo ship, which has remained in service until today (Minzhu-9). Its main power plant was a 1500-hp triple-expansion type steam engine; the main boiler and auxiliary engines were also built in this country.

The Chinese Society of Shipbuilding Engineering was established during the war against Japan. At that time, most of the technical personnel in shipbuilding and marine engine design moved to Chongqing, which was the only wartime shipbuilding base. Several of the shipyards and engine factories produced marine reciprocating steam engines, boilers, and gas engines.

After the war, a large number of U.S.-built landing craft were used for transportation along the coast and along the Chang Jiang. In the process of repairing the medium- and high-speed diesel engines for these boats, a considerable amount of experience in operating diesel engines was accumulated, and a team of diesel engine technicians was trained that later became the major force in developing China's diesel engine industry after the liberation. During this period, a number of low-power diesel engines had been built in Shanghai, Dalian, Hankou, and Guangzhou. Most of them were Japanese-designed charcoal-burning diesel engines to be used on fishing boats and small craft.

## II. Marine Engineering During the Period of Economic Recovery

On the eve of China's liberation, water transport suffered serious damage; the number of ships that remained in Shanghai after liberation was far from adequate to meet the heavy burden of military and civilian transportation. In August 1948, with the approval of the central government, it was decided to build a fleet of inland river tugs, lighters, and motorized junks. Seventy-two of the tugs were powered by 2x75 hp and 2x150 hp engines, a total of 144 reciprocating steam engines; 72 boilers were required to produce a total of 14,400 hp. The machinery and all the auxiliary engines, as well as the magnetic gyrocompasses were designed and built during the 9 months from September 1949 to June 1950, and installed on the new fleet. By that time, the supply of diesel engine parts for the landing craft was cut off. As a consequence, Chinese technicians developed on their own various precision parts for the diesel engines; this effort not only solved the problem of shortage of parts but also provided valuable experience in building precision diesel engine parts.

## III. Marine Engineering During the Period of the First Five-Year Plan

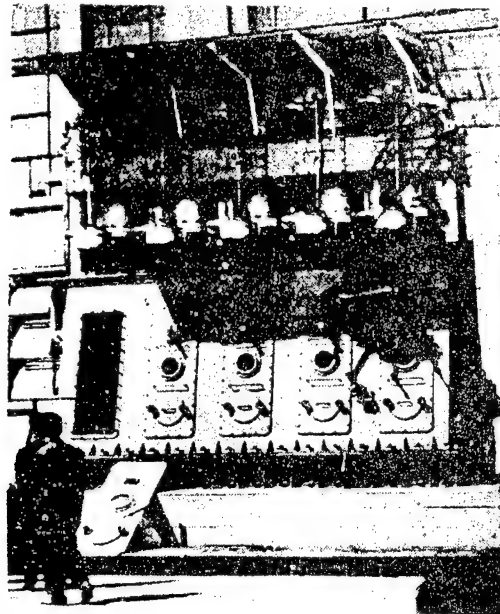
After the 3-year period of economic recovery, China entered the of the first 5-year plan, which designated industrial construction and development as part of the nation's planned economy. The special features of marine engineering during this period are as follows:

1. Because China's petroleum production was not yet self-sufficient and petroleum resources were not fully identified, most of the Chinese-built civilian ships were powered by coal-burning steam engines.
2. Military ships were built primarily using Soviet technology; large warships were powered by gas turbines, and medium and small ships were powered by medium-speed and high-speed diesel engines.

In November 1955, the first Chinese-designed and built coastal harbor passenger/cargo ship (Minzhu-10) since the liberation began operation. The 1500-hp reciprocating steam engine, boiler, and auxiliary engine were all designed and manufactured in this country. Subsequently, the Marine Product Design Institute improved the design of the Model-B coastal ship and built four of the improved models; certain improvements

were also made in the power plant. For example, the main engine used low superheated steam with intermediate bleeding, and the bled steam was used to drive the turbo-generator; the degree of automation of the power plant was also enhanced.

In 1956, in order to satisfy the needs of 5000-ton coastal cargo ships, the Marine Product Design Institute developed a 5-cylinder, 2400-hp, single expansion, straight-flow type steam engine; it was built by the Hudong Shipyard in Shanghai for marine operation. This was the first high-power steam engine designed and manufactured in this country. Figure 1 shows a picture of this engine.



To satisfy the needs of larger ships, in 1957 the Shanghai Gas Turbine Factory developed a 5000-hp marine gas turbine based on the technical requirements established by the Marine Product Design Institute. This was a double-tandem, dual-cylinder engine with 2-stage gear reduction and 2-stage bleeding; the initial steam parameters were 30 ata and 420°C. This engine was installed on the 10,000-ton cargo ship "Tianjin."

During the period of the first 5-year plan, the main engines, auxiliary engines and other equipment used on China's military ships were mainly imported from the Soviet Union. Domestically, a number of assembly plants and mechanical/electrical instrument factories were established. By the early 1960's, these factories were able to provide a large number of instruments for naval vessels. Much of this equipment and technology was later used on civilian ships. As a result of the technology transfer of this period, the development of engine technology for civilian ships was also promoted to a new level. Through training

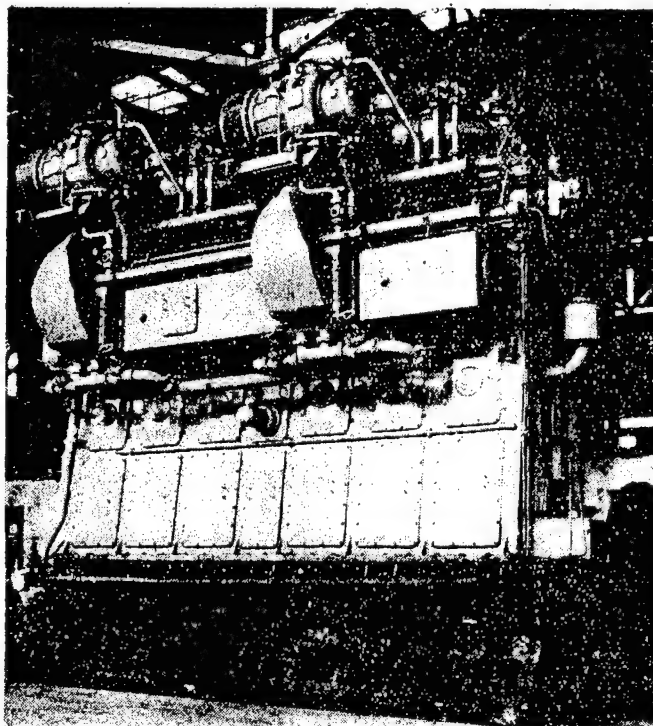
courses offered by universities and technical colleges and digestion of imported technologies, a team of technical personnel was formed who provided the foundation for future development.

#### IV. Development in the Sixties

In the late 1950's, the increased supply of petroleum in China made it possible to develop high-efficiency, advanced diesel power plants. Also, the establishment of an ocean-going fleet at that time required the development of low-speed, high-power diesel engines. But due to the international situation that followed, we were almost totally isolated from the mainstream of technological development; consequently, we had to rely on our own resources to develop China's technology. Throughout the 1960's, the main thrust of marine engineering development was on high-power marine diesel engines; some achievements were also made in marine support equipment.

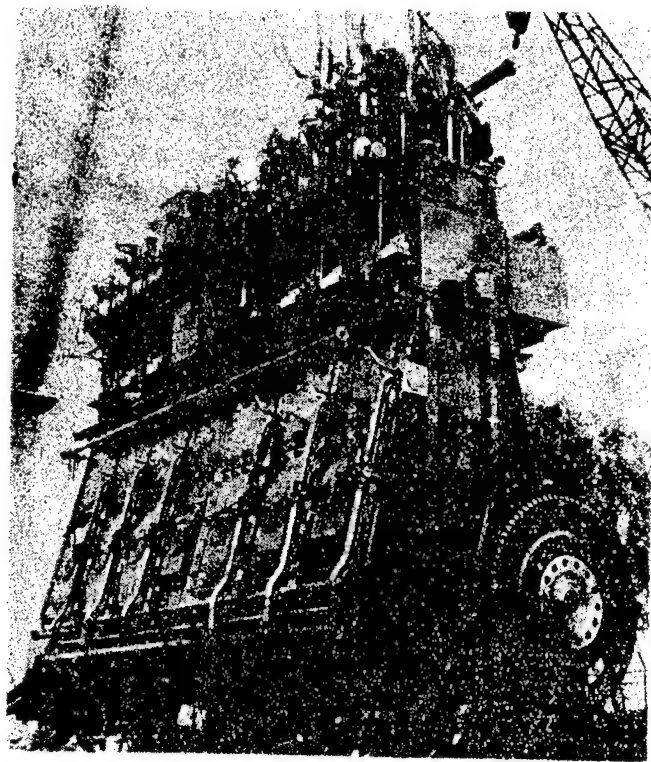
##### (1) Development of High-Power, Low-Speed Diesel Engines

The first Chinese-built high-power, low-speed marine diesel engine was the 63SDZ43/82, which was a 2-stroke, pressure-boosted, straight-flow scavenging, cross-head type diesel engine. This engine was designed in 1958 by the joint design group organized by the Marine Product Design Institute and the Shanghai Jiaotong University, and was built and successfully tested at the Hudong Shipyard and the Shanghai Shipyard. Before the design was finalized single-cylinder tests were performed. This 2000-hp engine was initially used on the new 3000-ton coastal cargo ship; subsequently, improvements were made by the Hudong Shipyard to develop the model 43/82B 6-cylinder and 9-cylinder engines which produced 3000 hp and 4500 hp respectively. These two engines have been produced on a large scale and have been well received by domestic shipowners. Figure 2 shows a picture of the 6ESDZ 43/82B diesel engine.



Based on the experience of designing the 43/82 type diesel engines, the joint design group also designed for the Navy a 3000-hp, 9-cylinder, 2-stroke, cylindrical piston diesel engine the 9EDZ43/67; it was installed on a number of escort ships.

Subsequently, the joint design group stationed at the Hudong Shipyard also developed a 8800-hp, straight-flow scavenging, low-speed diesel engine the 7ESDZ75/160, which was structurally similar to the 43/82 engine. It was used as the main engine of the first Chinese-built 10,000-ton class cargo ship "Dong Feng," which was successfully tested on its maiden voyage in 1966. In 1971, further improvements were made, and the 12,000-hp engine 6ESDZ75/160B was developed and installed on 25,000-ton class transoceanic cargo ships after small-scale production. These transoceanic ships have been sailing on the international waters until today. Figure 3 shows a picture of the 6ESDZ75/160B diesel engine.

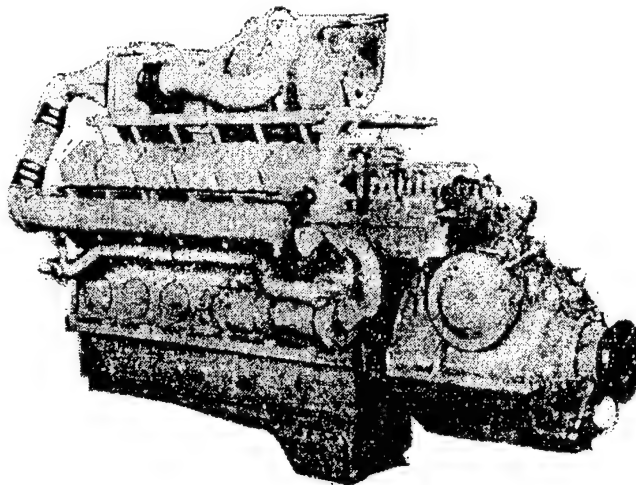


While straight-flow scavenging diesel engines were being developed in Shanghai, the Dalian Shipyard, with cooperation from the Dalian Marine Transportation College, developed a 3000-hp, lateral-flow scavenging non-pressure-boosted, low-speed diesel engine the 6ESD60/106 for use on oil tankers. Later, under the cooperation of the Dynamics Research Office of the Chinese Academy of Sciences, a pressure-boosted, straight-flow scavenging, 5400-hp low-speed diesel engine, the model 68/135 was also developed. In 1966, the Dalian Shipyard began developing the 9ESDZ58/100 return-flow scavenging low-speed diesel engine, which developed into the 6100-hp 6ESDZ58/100. These engines were all being produced on a large scale.

The Shanghai Shipyard and the Shanghai Diesel Engine Factory respectively began developing the 6ESDZ76/160 return-flow scavenging, low-speed diesel engine in 1969 and 1970. It was used on a number of 10,000-ton class ocean-going cargo ships and 7000-ton coal transport ships.

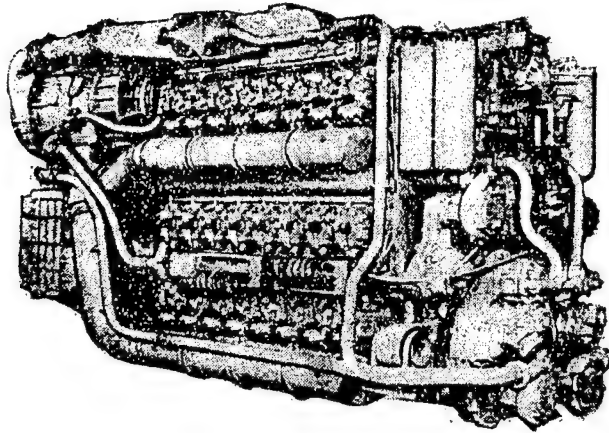
## (2) Development of High-Speed Diesel Engines

The first high-power, high-speed diesel engine developed in this country was the 12V180 model built by the Shanghai Diesel Engine Factory. As shown in Figure 4, this engine generated 1000 hp at 1,500 rpm, and was extensively used on naval speed-boats and ground-based generator stations.



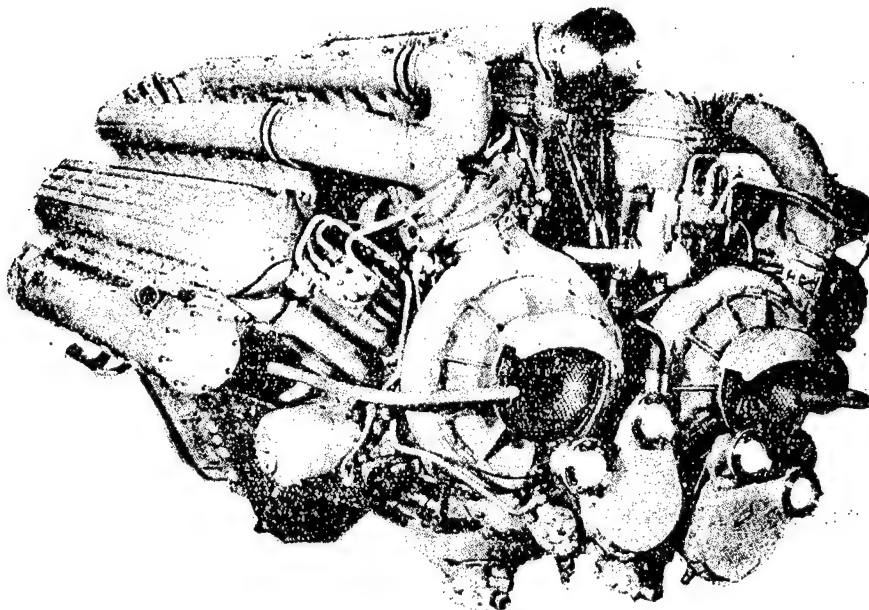
The Shanghai Marine Diesel Engine Research Institute, with cooperation from other organizations, devoted many years in developing a structurally unique, "I" shaped multi-axle, return-flow scavenging, 2-stroke, high-power engine. It was called the K series engines, which included the K16E, the K32E, and the K48E. Typical of the series was the 48-cylinder K48E model, which was a structurally compact, high-power and high rpm engine (Figure 5).





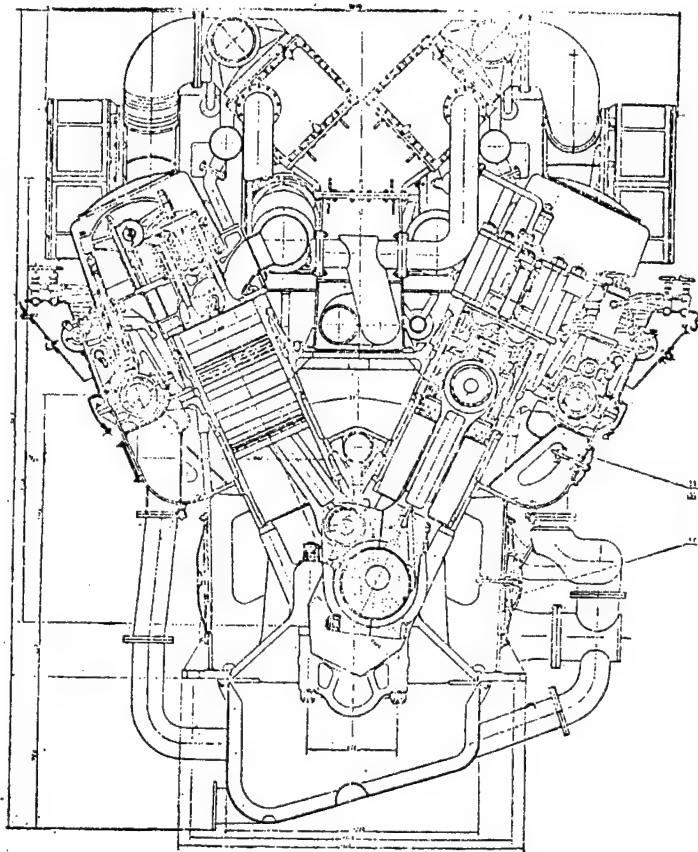
A paper describing this particular engine was presented in 1981 at the 14th International Conference on Internal Combustion Engine held in Helsinki. This engine is being tested on high-speed patrol boats, and currently in small-scale production.

In 1970, by using most of the parts of the Soviet M50 0-3 light-weight, high speed diesel engine and designing a separate camshaft box, the Shanghai Marine Diesel Engine Research Institute developed a 2350-hp high-speed diesel engine, the W24180, as shown in Figure 6. This engine was certified after 500 hours of endurance tests. Three of the engines were used on speed boats, with good results in performance and structural reliability.



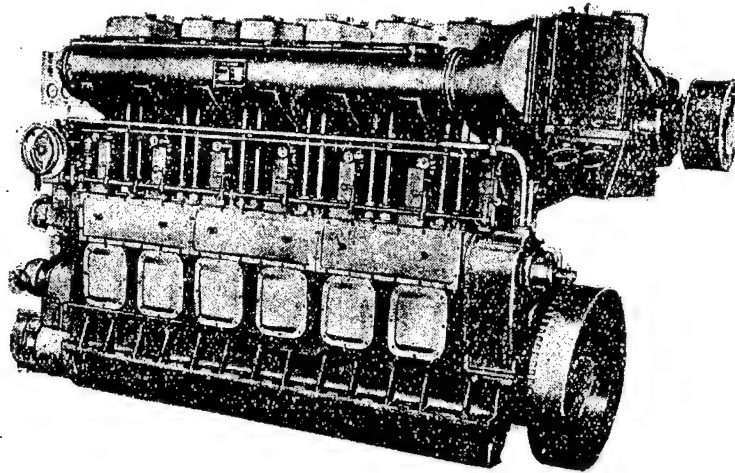
### (3) Development of Medium-Sized Diesel Engine

During the 1960's, many medium-speed diesel engine models were developed; they were used on fishing boats, tug boats, river boats and for harbor engineering operation. For lack of space we shall not discuss each model in detail. A representative product was the E390 V-shaped, high-power, 2-stroke, cylindrical piston, straight-flow medium-speed diesel engine developed jointly by the Hudong Shipyard and the Shanghai Marine Diesel Engine Research Institute (Figure 7).



After the British Ruston AO type diesel engine ran into trouble, it seemed almost impossible to overcome the difficulties of developing a 2-stroke, medium-speed, high-power cylindrical-piston diesel engine. We encountered similar difficulties in developing the E390V engine, but eventually we succeeded. This engine currently has two different models: the 12-cylinder model and the 18-cylinder model, which generate 8000 hp and 12,000 hp respectively. The 18VE390ZC engines have been in large scale production, and are being used on a Chinese-built escort ship.

Since July 1974, a joint design group organized by the Shanghai Marine Diesel Engine Research Institute, the Wuxi Diesel Engine Factory, the Ningbo Dynamics Factory, the Guangzhou Fishing Machinery Factory and Changhang Research Institute has been developing a G300 series medium-speed diesel engine. By 1979, the development of the 6, 8, and 16 cylinder prototype engines had been completed; the 6-cylinder and 8-cylinder engines have passed certification tests and are currently being produced at the Wuxi Diesel Engine Factory and the Ningbo Dynamics Machine Factory. They have been used on many tug boats and fishing boats with good performance results. This demonstrates the feasibility of developing new engine models through an organized joint design group. Figure 8 shows a picture of the 6300ZC diesel engine.



#### (4) Development of the Gas Turbine Engine

The gas turbine engine was initially developed in China based on a Soviet design, the 4000-hp model 404. However, due to its poor performance, it was never produced on a large scale. In 1974, the Harbin Marine Gas Turbine and Boiler Research Institute began development of the 22,000-hp model 407 engine; they also began development of the 3000-hp model 409 engine in 1980, the 6000-hp model 401 engine in 1981, and the 12,500-hp model 401-II engine in 1982. The prototypes of these engine models have been successfully developed and built; currently, further improvements of these engines are being made.

#### (5) Support Equipment of the Power Plant

In addition to the progress made in marine main engines, various support equipment of the power plant was also developed:

1. contaminated oil and water treatment system;
2. waste incineration treatment system;
3. high-quality sea water desalination system;

4. fuel viscosity automatic adjustment device;
5. automatic marine power station turn-key system;
6. fully automated engine room;
7. new measures for sound-proofing and vibration reduction of the engine room;
8. smoke detection and explosion prevention system for oil tankers;
9. ocean supply system;
10. helicopter lift system;
11. stability platform;
12. anti-swing device;
13. navigation instruments;
14. observation and communication equipment.

This support equipment is used mostly on newly built naval and civilian ships.

#### V. The Period of New Development

During the 10 years of turmoil, the development of China's marine engineering remained almost totally stagnant. Now, the state of turmoil is over. Since China returned to the open-door policy, technical exchange with developed nations resumed; in recent years, we have built many ships for exportation. As a rule, the ship owner would specify the model numbers of the main engine, auxiliary engine and support equipment for the new ship; therefore, these equipment must be produced with permits or imported from abroad in order to meet the export requirements. At the same time we continue to develop our own products. Since the late 1970's, we have signed technology transfer agreements with Switzerland, France, Denmark, West Germany, Japan, and Austria to develop 16 different series of medium-speed and low-speed marine diesel engines and other marine equipment. This provides the foreign customer sufficient flexibility to select the required equipment; it also provides the basis for the domestic market to selectively develop our marine equipment based on demand and to continually improve our products. We predict that by absorbing the experience of advanced countries, China's marine engineering will enter into a new stage of development, thus raising the technical standards of China's marine equipment and making greater contributions to China's shipbuilding industry.

3012

CSO: 4013/118

## INDUSTRY

### ZHAO ZIYANG ON DEVELOPMENT OF AUTO INDUSTRY

OW180616 Beijing Domestic Service in Mandarin 2230 GMT 15 Jul 84

[Text] According to a report by JINGJI RIBAO reporter (Zuo Zheng), the State Council approved the China Auto Industry Corporation's strategic concept for the vigorous development of the auto industry. In this connection, Premier Zhao Ziyang of the State Council recently pointed out: The vigorous development of the auto industry is an inexorable trend, and this industry may become an important part of future economic growth. The question is how to guide this industry according to circumstances and how to avoid gross blindness.

Premier Zhao Ziyang said: To avoid the recurrence of the situation in which small and all-embracing auto factories are set up one after another, it is necessary to consider ways to resolve the contradiction between production and demand. Therefore, it is essential to support specialization and to mass-produce good-quality and high-priced cars as soon as possible.

In this connection, JINGJI RIBAO carries a commentator's article entitled "Raise Overall Economic Results in the Course of Reform." The article says: When the contradiction between supply and demand of cars is acute, two tendencies merit our attention. According to incomplete statistics, 88 auto factories in the country have resumed production, an increase of 15 over the figure before economic readjustment. The situation in which many small auto factories were set up may well recur, which will result in small-scale production, poor quality, and high production costs. Some units and enterprises which have no plans for self-manufacture or combining technology with trade are separately holding talks with foreign businessmen on auto assembling projects. They plan to sell such assembled cars at high prices in order to seek high profits. Some developing countries took this road and found it impossible in practice.

The article says: To raise the overall economic results of the auto industry, it is necessary to first consider its scale and efficiency and to produce more cars with less investment. In the auto industry, it is essential to do away with the pattern of setting up small and all-embracing automobile factories. The auto industry must make unified planning, form economic associations, and organize coordinated and specialized mass production. It is necessary to reform the current system of management by departments and regions and to set up auto companies and enterprises which operate independently and practice independent accounting. Such companies and enterprises should promote the development of technology and auto industry by competing with one another.

CSO: 4006/656

## INDUSTRY

### BRIEFS

HEBEI INDUSTRIAL OUTPUT--Total industrial output value in Hebei in the first half of the year was 13,645 million yuan, a rise of 14.3 percent over the same period last year. This included increases of 17.9 percent in light industry and 11.2 percent in heavy industry. Output of 78 out of 100 comparable products rose compared with the same period last year. Local freight turnaround volume rose by 29.3 percent. January-May profit and tax revenue from industrial enterprises covered by the budget increased by 25.34 percent compared with the same period last year. [Summary] [HK160853 Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 7 Jul 84 HK]

HENAN INDUSTRIAL PRODUCTION--Henan Province's gross industrial output value in the first half of this year was 10.7 percent more than the same period last year and accounted for 49.6 percent of the annual quota. The province's light industrial output value in the first half of this year increased by 8.2 percent and its heavy industrial output value recorded an increase of 13.1 percent. The output value of enterprises included in the budget throughout the province from January to May this year was 10.5 percent more than the corresponding period last year. The profits increased by 39 percent and the new profits deposited in the treasury recorded an increase of 32.9 percent. The province's income from sales increased by 14 percent. Thus, the province basically ensured a balance between production and sales. The number of enterprises incurring losses was 45.2 percent less than in the same period last year. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 7 Jul 84 HK]

GUIZHOU INDUSTRIAL PRODUCTION--Guizhou Province's gross industrial output value from January to June this year was 14.5 percent higher than in the same period last year. The profits of the industrial enterprises included in the budget increased by 72.9 percent. Profits in January exceeded 10 million yuan, a record for January in previous years. Monthly profits in other months were 20 million yuan or so. The province fulfilled some 60 percent of the annual quotas for the production of steel, rolled steel, and pig iron. The province also fulfilled some 50 percent of the annual quotas for the production of agricultural chemicals and chemical fertilizers. Output of high-grade and medium-grade daily-use industrial products, radios, television sets, washing machines, radio-recorders, and motor vehicles recorded an increase of 88.6 percent to 260 percent over last year. The province already has overfulfilled its annual quota for the production of radios. The amount of deficits incurred by enterprises from January to June was 50 percent less than in the



corresponding period last year. [Summary] [HK181210 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 7 Jul 84 HK]

HUBEI INDUSTRIAL PRODUCTION--Hubei Province's gross industrial output value from January to June this year amounted to 16,673 million yuan and was 10.8 percent more than the same period last year. The province fulfilled 49.89 percent of its annual quota for gross industrial output value. The profits submitted to the state by the industrial enterprises included in the budget in the first half of the year were 485 million yuan and recorded an increase of 23.9 percent over the same period last year. The province's revenue in the same period was 1,953 million yuan, an increase of 11.2 percent. However, the province's industrial output value was lower than the state's average level. Its light industry developed slowly. Sewing machines, watches, bicycles, cigarettes, and clocks did not sell well. Leaders at all levels and departments concerned must pay great attention to this situation and must take effective measures to change it. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Jul 84 HK]

YUNNAN INDUSTRIAL PRODUCTION--Yunnan Province's gross industrial output value in the first half of this year was 12 percent more than the same period last year. Electricity output recorded an increase of 19 percent over the same period last year and output of raw coal increased by 8.6 percent. Output of sugar, cigarettes, and nonferrous metals were records. Output of copper was 26 percent higher than in the corresponding period last year. Output of chemical fertilizers also greatly increased and was 22 percent more than in the same period last year. Output of plate glass was 94 percent more than the same period last year. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 8 Jul 84 HK]

SICHUAN INDUSTRIAL PRODUCTION--Sichuan Province's gross industrial output value in the first half of this year amounted to 17,960 million yuan, 11.7 percent more than the same period last year. The province fulfilled over half of its annual quota in 6 months. The income of local industrial enterprises from sales was 12.4 percent more than the same period last year, the profits made by them increased by 23.2 percent, and the profits submitted by them to the state recorded an increase of 22.8 percent. The province already fulfilled some 60 percent of its annual quotas for the production of rolled steel, cement, and chemical fertilizers. [Summary] [HK190930 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 11 Jul 84 HK]

HEILONGJIANG INDUSTRIAL OUTPUT--In the first half of 1984, Heilongjiang Province made good achievements in industrial output. The semiannual industrial output value, profits, and revenue increased at the same pace. In the first half of 1984, industrial enterprises covered by the province's budget increased their output value by 14.76 percent over the corresponding 1983 period, and increased revenue by 54 percent. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 11 Jul 84 SK]

INDUSTRIAL OUTPUT OF HEILONGJIANG--As of the end of June, the total industrial output of Heilongjiang Province increased 8.02 percent over the same 1983

period. The enterprises covered by the province's budget increased profits by 24.8 percent. The production value of industrial enterprises reached 15.192 billion yuan, profits were 347 million yuan, and consumption fell 0.6 percent. In the first half of this year, the output value of light industry increased 11.9 percent over the corresponding 1983 period. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 12 Jul 84 SK]

SHANDONG SILK PRODUCTION--In the first half of 1984, Shandong Province's silk production front realized successes by turning losses into profits. The silk production front suffered 880,000 yuan in losses in 1982. Through system reforms, the front earned 108,000 yuan in profits in the first half of 1984. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 15 Jul 84 SK]

SOUTH CHINA RURAL INDUSTRIES--Guangzhou, 22 Jul (XINHUA)--One out of every four peasants in Foshan City, Guangdong Province, is now working in rural industries, providing extra income for the traditional land-tillers. The industries, employing 375,000, range from machine-building, petrochemicals, food, textiles and building materials to energy and electronics. Their combined income last year came to 2,118 million yuan, accounting for more than half the collective earnings of the rural communities in Foshan, on the fertile Pearl River delta. Foshan, with four counties and Zhongshan City under its jurisdiction, is taking advantage of the present open-door policy by developing joint ventures with overseas firms and producing export-orientated commodities. Last year, exports from Shunde County alone exceeded 100 million yuan. The peasants' switch to industrial undertakings is being encouraged by the government as a way to accelerate modernization and create job opportunities for the surplus workforce in the countryside, following the introduction of the job responsibility system in 1979. China's rural enterprises, which employed some 30 million peasants last year, produced 23 percent of the country's coal, 14 percent of its cement and more than 50 percent of its phosphate fertilizers, as well as 75 percent of its bricks, tiles, sand, limestone and basic farming tools. [Text] [OW220300 Beijing XINHUA in English 0212 GMT 22 Jul 84]

TELEVISION PRODUCTION INCREASES--Beijing, 8 Jul (XINHUA)--China produced 4.32 million television sets from January through June this year, up 41.5 percent on the same period in 1983, according to the State Statistical Bureau. These included 480,000 color sets, an increase of 160 percent. Demand for TV sets has been high in China's domestic market, particularly for color models. In the first five months of this year, 2,687,000 sets were sold by departments under the Ministry of Commerce, which handles about two-thirds of the total trade. These included 300,000 color sets, almost twice as many as in 1983. [Text] [OW080948 Beijing XINHUA in English 0911 GMT 8 Jul 84 OW]

CSO: 4010/112

## CONSTRUCTION

### URUMQI PLANNING-CONSTRUCTION COMMITTEE FORMED

HK171425 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 16 Jul 84

[Text] The Urumqi City Planning and Construction Committee was established recently based on a decision made by the regional CPC Committee and the regional People's Government. This committee is Urumqi City's authoritative organ in planning and construction work. It is responsible for supervising, inspecting, and coordinating the implementation of Urumqi's overall plan, and solving important problems in the course of implementing the plan.

The Urumqi City Planning and Construction Committee comprises leading comrades of the region, the Urumqi PLA units, the Production and Construction Corps, and departments concerned in Urumqi City. Li Shoushan, regional CPC Committee Standing Committee member and Urumqi City CPC Committee secretary, has been appointed chairman. Regional Vice Chairman Huang Baozhang, Production and Construction Corps Deputy Commander Zeng Jifu, Urumqi City Mayor Ismail Maikeshuti, and Vice Mayor (Zhang Jianmin) have been appointed vice chairmen.

CSO: 4006/667

## CONSTRUCTION

### BRIEFS

NEW SHANDONG DAM--In Shandong, the Sishui Sluice Gate project on the Si He, which had been scheduled for completion in 1985, was completed on 10 June. Built collectively by the state, collectives, and peasants, the sluice gate is 2,561.4 meters long and has a water storage capacity of 940,000 cubic meters. With the completion of the sluice gate, irrigated farmland will be expanded by more than 45,000 mu. [Summary] [SK140542 Jinan DAZHONG RIBAO in Chinese 12 Jun 84 p 1 SK]

SHANDONG EXPANDS YANTAI PORT--With the approval of the state, Shandong Province plans to expand Yantai Port and build 6 berths that can accommodate over 10,000-ton ships. The total investment in the project is estimated to be 350 million yuan. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 10 Jul 84 SK]

CSO: 4006/656

## DOMESTIC TRADE

### WUHAN TRADE CENTERS PROMOTE COMMODITY FLOW

OW131342 Beijing XINHUA in English 1233 GMT 13 Jul 84

[Text] Wuhan, 13 Jul (XINHUA)--Farm and sideline products have been flowing from all parts of the country here to central China's largest city, since the establishment of two trade centers in April. They include seafood from Jiangsu and Zhejiang provinces, fruit from Guangdong and Guangxi and soybeans from Henan. Previously these were either unavailable or scarce in Wuhan, capital of Hubei Province.

In his report to the second session of the Sixth National People's Congress last May, Premier Zhao Ziyang said: "Practice shows that commodity exchange through trade centers helps establish direct links between the producer and the seller."

He called for such centers in all cities and trading areas for farm and sideline products to break down barriers between different regions and trades.

Situated near the banks of the Yangtze River, the two centers in urban Wuhan have established trade ties with most places in China. Two to three thousand people from state-owned and collective firms and individual concerns do business there each day.

Farm and sideline products now enter the city directly through the centers. Individual vendors in Guangxi shipped 500 kilograms of fresh litchis by train to one trade center on 30 May, the earliest that the fruit had appeared on the Wuhan market for many years.

Seven peasants from the Xinjiang Uygur Autonomous Region have signed a long-term contract to supply raisins to the center. In the past, however, the deal would have to be approved by commercial departments at various levels, the procedure of which was long.

A retail store in the other trade center deals in 412 commodities, chiefly cigarettes, sugar and liquor but also soap, washing powder, matches, jew's ear fungi and starch, which are handled by different state-owned wholesale companies.

The centers also help find a market for farm and sideline products from all over China by providing market information and using Wuhan's good transport services.

Other trade centers for food and manufactured goods have been set up in major cities in Fujian, Hunan, Guangdong, Jiangsu and Anhui provinces.

Capital goods trade centers are also being built in 20 cities as a major step in restructuring the country's material supply system.

CSO: 4020/158



## DOMESTIC TRADE

### BRIEFS

SHANDONG URBAN, RURAL MARKETS--Along with industrial and agricultural production development, business in Shandong Province's urban and rural markets continued to be brisk in the first half of 1984. The volume of retail sales of social commodities reached 10.3 billion yuan, an increase of 9.2 percent over the corresponding period of 1983. Of this, the retail sales volume of collectively- and individually-owned commercial enterprises increased 22.9 percent and 68.7 percent respectively over the same period of 1983. [Excerpts] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 15 Jul 84 SK]

BRISK LIAONING MARKET--Urban and rural markets across Liaoning Province are brisk. The total goods purchase volume of state commercial enterprises and supply and marketing cooperatives in the province increased 11 percent over the same period in 1983. The total volume of retail sales of commodities reached 8.3 billion yuan, an increase of 8.5 percent over the same period in 1983. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 16 Jul 84 SK]

SICHUAN COMMERCIAL DEPARTMENTS--The number of commodities purchased by the commercial departments in Sichuan Province in the first half of this year was 11.5 percent more than in the same period last year. Of these commodities, the number of agricultural and sideline products purchased increased by 9.2 percent and the number of industrial products purchased increased by 13.1 percent. The amount of retail social commodities in the first half of this year was 9.3 percent more than in the corresponding period last year. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 17 Jul 84 HK]

CSO: 4006/667

## LABOR AND WAGES

### PRC NEWSPAPER CARRIES REPORT OF TRADE UNIONS

HK130642 Beijing GONGREN RIBAO in Chinese 21 Jun 84 pp 1, 2

[Report: "Research Center of the Secretariat of the CPC Central Committee Prints, Distributes Report of All-China Federation of Trade Unions to the CPC Central Committee on Further Carrying Out Book Reading Activities Among Workers and Staff Members"]

[Text] The All-China Federation of Trade Unions recently wrote a report to the CPC Central Committee on book reading activities by workers and staff members for the purpose of "making the country prosper." This report presents certain proposals for further promoting the activities. The Research Center of the Secretariat of the CPC Central Committee has recently announced this report in a restricted publication and has written the following note:

The vigorous development of book reading among workers and staff members in the past 2 years has strengthened the position of the party in the ideological front of workers and staff members. This activity has become an important way to raise the ideological and political quality and scientific and cultural quality of workers and staff members, and is significant for building socialist material civilization and spiritual civilization.

In his speech to the mass rally marking the centennial of the death of Marx, which was held last March, Comrade Hu Yaobang said: "To respect, welcome, and desire knowledge and spare no effort to turn knowledge into a tremendous power for building the new world should become a goal for us communists and all builders." He put forth to the whole party and nation the importance of restudying. He said: "Restudying must be carried out within the whole process of the realization of the modernization program," "and this restudying means a massive march towards science by the whole nation, various trades, and hundreds of millions of workers, peasants, and intellectuals." All departments and localities must actively respond to the call of the CPC Central Committee and vigorously persist in mass book reading activities. Leading cadres at various levels must take the lead in reading books so that by their own deeds they will be able to lead the masses of people and create an upsurge in seeking knowledge and reading books by both leadership and the masses of people. While pursuing book reading, it is imperative to become good at creating new experiences that should be summed up and popularized in time; it is also imperative to become good at discovering talented people so that in this way we will be

able to develop the ranks of our ideological and political work and promote these talented people into various leading positions.

This report by the All-China Federation of Trade Unions has made very good proposals as to how to further promote book reading among workers and staff members. It is hoped that localities will study and implement these proposals.

The following is the full text of the report:

Since the "Report on Instigating Book Reading Among Workers and Staff Members" by the party organization of the All-China Federation of Trade Unions was officially approved by the CPC Central Committee last June, the development of book reading activities among workers and staff members has been encouraging. During the period before the meeting to exchange experiences in book reading was held by the All-China Federation of Trade Unions in Shanghai, only a few cities across the country organized book reading activities, with the number of workers and staff members attending such activities less than 500,000. Thanks to the guidance, encouragement, and approval of the CPC Central Committee, book reading among workers and staff members has been rapidly developing in various provinces, municipalities, and autonomous regions. By the end of last year, the number of workers and staff members taking part in the activities reached 100 million, to gradually form an upsurge among the masses in reading books and seeking knowledge.

In the past year, book reading among workers and staff members has vigorously developed, with very good results.

First, the activities have opened up a new way to carry out ideological and political work among workers and staff members. In order to attract them to read books, give them guidance, and check the results of the activities, various places have carried out activities such as lectures, book reviews, exchanges of experiences in book reading, soliciting articles and essays, delivering speeches, and knowledge competitions. Hundreds of thousands of workers and staff members have spoken in public about what they have gained from reading books. Such speeches are made in connection with reality and the ideological situations of the speakers themselves. Consequently, with clear-cut viewpoints and explicit reasoning, these speeches are so vivid that they have attracted and deeply impressed listeners like magnets. Various forms of knowledge competitions have led the broad masses of workers and staff members into the vast ocean of knowledge and have stimulated their interest in reading books. This means that this orientation is correct. These activities have spurred the enthusiasm of workers and staff members to read books and seek knowledge, have made them determined to make progress, and have changed the past practice of inflexible ideological and political work, which has, in fact, been refused by the masses. This change means that ideological and political work has become a self-education activity of the masses, which is becoming more vivid, with strong appeal, and which is convincing.

Second, book reading displays a positive role for improving the quality of the ranks of workers and staff members. These activities have enabled workers

and staff members to enrich their knowledge, become sensible, and broaden their field of vision. Therefore, they have to a certain extent raised the ideological consciousness of the broad masses of workers and staff members. An encouraging situation has emerged in many places in which the advanced have become more active, the general have become the advanced, and those who have made mistakes repented, while the workers and staff members who are in the intermediate stage have been willing to make progress. The improvement of ideological consciousness has been strikingly demonstrated in two aspects: One is that the broad masses of workers and staff members have more correctly understood the path and significance of life. Many workers and staff members have come to understand, by way of the struggle and advanced thinking of Zhang Haidi, that "the real significance of life is in giving rather than taking." They have also come to understand the relations between individuals and the collective and the state and society, and consequently they have decided not to idle away their time but to make their contributions toward realizing the socialist modernization program. The number of workers and staff members who are diligent in reading has increased and those who are idling away their lives has decreased; those who are sparing no effort to make progress have increased and those who are demoralized and dispirited have decreased; those who are working hard for the public interest have increased and those who have put individual interest above public interest have decreased. Another aspect is that a considerable number of workers and staff members have strengthened their belief in socialism and communism. Certain workers and staff members have, through extensive reading and conscientious thinking, come to understand that Marxist theory is the most scientific, that communist aspirations have the most solid foundation, and that the socialist system is the most superior. Some others have meticulously read the documents on the 12th CPC National Congress and "Selected Works of Deng Xiaoping," and as a result, they have become even closer to the CPC politically and ideologically, more determined to realize the modernization program, and more conscious in building socialism with Chinese characteristics.

Third, a number of talented people have been discovered and trained through study. A number of workers and staff members in many places have been discovered to have persisted in reading books for many years and have formed a solid foundation in the study of certain branches of knowledge. Some have read "Das Kapital" and taken part in compiling books on the explanation of its principles; some have studied the ancient history of ideology in China and have read their spectacular essays at national academic meetings; and some others have studied the works of Lu Xun and have written articles to expound "Lu Xun and the Workers," as well as widely collected and comprehensively sorted out and arranged explanatory notes of Lu Xun's works. More workers and staff members have become winners in speech and knowledge competitions because they have spared no effort in reading books. Some of the most outstanding of these winners have been praised by the masses as being "the very best readers." These people advanced in reading books are enthusiastic in helping and leading others in doing the same, and they have become the backbone for organizing and guiding book reading activities. They have also become a main source for replenishing the push for ideological and political work among workers and staff members.

The achievements in the book reading activities among workers and staff members have been quite considerable in the past year, but the development of these activities is not balanced. The number of advanced unit workers and staff members taking part in these activities is now about 50 percent of the total number of workers and staff members. The figure for the units that are not active enough in these activities is less than 10 percent of the total staff, and quite a considerable number of units have yet to carry out such activities. Some units have regarded the activities with a perfunctory attitude and formal view. Consequently, they have simply turned trade union teams into book reading teams in disregard of specific conditions. Some other units have not carried out meticulous work in organizing book reading activities among workers and staff members. Outwardly, they have organized such activities in a lively way, but it is only for the time being, because they have later allowed these activities to drift and consequently there is no way to further promote the activities. Therefore, it is an arduous task for trade union organizations at various levels to strengthen leadership and prevent book reading activities from "emerging, and then drifting and perishing" and to prevent them from drastically fluctuating, so that they will be able to lead the activities onto a deeper and broader path.

Experience in the past year has proven that launching book reading activities among workers and staff members is an expression of the needs of the current situation's development and of the broad masses of workers and staff members. Revolutionary cause demands that all workers and staff members must constantly raise their Marxist consciousness and improve their scientific and technical level and the level of culture and skill. But before this goal is achieved, it is imperative to constantly carry out book reading activities until communism is realized. Therefore, we assume that on the basis of summing up experiences, it is necessary to further define the orientation of, strengthen organizational leadership of, consolidate the existing achievements of, resolve the existing problems of, and spare no effort in healthily developing book reading activities among workers and staff members so that these activities will attain better results and the number of workers and staff members participating in these activities will number more than 15 million by the end of this year.

First, it is necessary to have a more definite goal and orientation for the book reading activities among workers and staff members. The workers and staff members in China have the great historical task of building socialist material civilization and spiritual civilization. At the present stage, they have the new task of speeding up the reform in urban areas and opening the country to the outside world, and they have to meet the challenge of the new technological revolution. This situation means that it is urgent to raise the ideological, political, scientific, and cultural levels of the ranks of workers and staff members. Therefore, the basic goal and orientation of launching book reading activities is to raise the ideological, political, scientific, and cultural levels of workers and staff members so that they will be able to display the proletarian spirit as the masters of the country and grasp the skills and raise the technical ability that are required for the realization of the modernization program. Now the point is that a number of workers and staff members have been influenced by the 10 turbulent years.

Consequently, they have various vague understandings about building socialism with Chinese characteristics. They do not really understand the law on the development of human society and the historical task, glorious tradition, and fine character of the working class, and they are still rather poor in basic knowledge of Marxism-Leninism-Mao Zedong Thought. Therefore, the subject of the book reading activities among workers and staff members should be "making China prosper and the motherland powerful." Consequently, it is imperative to lead the broad masses of workers and staff members in studying the basic knowledge of Marxism-Leninism-Mao Zedong Thought and the principles and policies of the party. They should also be lead to study historical knowledge and helped in fostering a correct world outlook. It is also imperative for them to raise their patriotic, collective, socialistic and communistic ideological consciousness, and to strengthen their consciousness in persisting in the four basis principles and in building socialism with Chinese characteristics, actively taking part in and supporting various reforms in urban areas, and becoming promoters of the reforms. At the same time, in order to meet the needs of the modernization program and the coming of the new technological revolution, it is also necessary to lead workers and staff members to study natural science, management science, and technological knowledge; help them understand the basic contents and practical significance of the new technological revolution; and to improve their cultural and technological level on the basis of the needs of their work.

The book reading activities among workers and staff members are closely related to the present popular activities such as extracurricular cultural and technological education, spare-time college, TV college classes, and systematic political education with the attendants allowed to be released from their work and to take part in rotations. Yet these two aspects are also different. Systematic study of culture and technology and political training in rotations are carried out by way of reading related books, with the purpose of raising the ideological and political level and scientific and cultural level of workers and staff members. This study and training represent classroom study, although book reading activities are mainly conducted outside classrooms on the basis of self education. These activities are supplemented by systematic classroom study, but they are more popular and frequent. To understand the relationship between these two aspects will enable us to link and coordinate them so as to guarantee the continuity of book reading and study.

Second, it is necessary to aim high and carry out book reading activities on a solid foundation. The purpose of reading books is to raise the ideological, political, scientific, and cultural levels of workers and staff members and train the ranks of workers and staff members that "have aspirations, morality, and culture and abide by discipline." The contents and requirements of book reading activities must be based on reality and the arrangements and guidance for them must be decided upon and given on the basis of the different levels, varying degrees of open-mindedness, and different interests of workers and staff members. Experiences of certain advanced units and advanced elements have shown that people's ideological consciousness can only be raised gradually and people's understanding of objective things develops along the law of the development from concrete to abstract, from perceptual knowledge to rational



knowledge, and from thinking in images to logical thinking. Therefore, the book reading activities for ordinary workers and staff members can begin with selective reading of popular books that are easy to understand. Many workers and staff members can start by reading literary and art works and then they can be led to study historical knowledge and political theory. The workers and staff members that have already acquired some knowledge in their study of social science and natural science can continue with their study. In this way they will be able to renew their theoretical knowledge and grasp new knowledge. At the same time, they must also be helped to develop their knowledge, breadth, and depth so that they will become socialist-minded and vocationally proficient. In short, it is imperative to uphold the principle of seeking truth from facts so that the contents of what is read will become more rich, the arrangements can be made in more forms, and the methods will become more flexible to meet the different needs of workers and staff members and attract more of them to read books.

Third, it is necessary to lead workers and staff members to integrate book reading with commenting on books and using the knowledge that has been gained from reading. Book reading must be carried out in a practical manner, coupled with deep thinking, so as to grasp the essence of the book. The activities of discussing impressions about books that were read, knowledge competitions and soliciting articles are aimed at promoting book reading among workers and staff members. However, these activities must be based on their conscientious reading and thus cannot be carried out simply based on outward appearances. In order to guide these activities well, it is imperative to carry out mass activities for commenting on books and to analyze books by resorting to the stand and viewpoint of Marxism-Leninism-Mao Zedong Thought. Workers and staff members must also be helped to understand the contents of books and to distinguish the essential from the superfluous and what is correct from what is erroneous in certain works so that they can gain nourishment from reading books and improve their ability to distinguish right from wrong. The sole purpose of reading books is to apply what has been learned so that through this application, workers and staff members will be able to have a deeper understanding of the essence of the books. It is advocated, on the basis of reading and commenting on books, to use book knowledge to improve ideological consciousness and work, develop production and serve the people, while the various aspects that are serving society must check whether, through practice, they have really grasped book knowledge. In this way the results of reading books will be enriched and more talents will come to the fore in various fronts.

Fourth, develop backbone ranks and strengthen organizational leadership. Practice has proven that book reading activities have been launched quite well in the units with a stronger backbone force. The experiences of certain advanced units include organizing the fine elements that have emerged during book reading activities into various teams that are respectively responsible for book reading guidance, commenting on books, and theory and dissemination. They must also be helped to carry out their study and improve their level in a planned way, and other measures must be taken to create the necessary conditions so that these teams will be able to aid the book reading activities among workers and staff members. Efforts must be made to train team leaders and

librarians for book reading so that they will be able to guide workers and staff members in their book reading and study activities. A number of scholars and experts have enthusiastically supported book reading activities; therefore it is imperative to invite them to give guidance because their help is very useful in improving the level of book reading. The move by enterprise party, administrative, trade unions, and CYL organizations to form the related organizations for guiding book reading activities, the example of leading cadres at various levels in reading books, and the strengthening of organizational leadership represent a basic guarantee for the smooth development of book reading activities. Trade union organizations must assign the cadres who are enthusiastic toward their work and who have the knowledge and organizational capability to be responsible for the daily organizational work of book reading activities. These cadres must check the situation in book reading activities and sum up and exchange experiences in a planned way. The cultural centers, clubs, libraries, and workers' schools that are under the management of trade unions must make contributions for the development of book reading activities among workers and staff members on the basis of their professional work.

CSO: 4006/656

## TRANSPORTATION

### BRIEFS

NEW JIANGSU PORT--A new wharf built by peasants in Jiangsu's Nantong City began operation 1 July. The new wharf's length is 150 meters, and with three berths is capable of providing docking facilities to 800-metric-ton inland vessels and an annual loading and discharging capacity of 800,000 metric tons. It also has a storage area of 20,000 square meters for storing 200,000 metric tons of goods. [Summary] [OW212128 Shanghai City Service in Mandarin 1100 GMT 1 Jul 84]

NEW SHANDONG RAILWAY--A 71-km Yiyang Railway linking Yidu and Dajiawa is under construction in Shandong Province. Construction of the railway began on 4 May this year and is planned for completion by the end of 1986. Construction of the railway includes building 23 bridges of various sizes and 1 large bridge, 1,189 meters in length. The Laizhou Bay shore is a major salt producing area in Shandong. Due to poor transport facilities, a great quantity of salt is piled mountain high. Construction of the railway will not only provide the Qilu Petrochemical General Plant with the salt it needs to produce ethylene but also transport all the materials to the Shouguang 600,000-ton Soda Plant whose construction will begin soon. In addition, it will transport some salt to other provinces and help ease the strain on the Tianjin-Pukou Railway and the northern section of the Beijing-Guangzhou Railway. [Summary] [Jinan DAZHONG RIBAO in Chinese 24 Jul 84 p 3 SK]

EAST CHINA RAILWAY DOUBLE TRACKING--Jinan, 21 Jul (XINHUA)--The first stage of double-tracking the 393-kilometer Jinan-Qingdao railway in Shandong Province has been completed, and the new line was opened to traffic today. The stage involves a 334-kilometer stretch from Jinan, the provincial capital, to Lancun, where it meets the Lancun-Yantai line. About 650 million yuan has been spent on double-tracking the 80-year-old Jinan-Qingdao line, which links with the Beijing-Shanghai line at Jinan. It is listed as one of the country's key capital construction projects during the sixth 5-year plan (1981-1985). New buildings with a total floor space of 170,000 square meters have been built at more than 50 railway stations. Old rails and signals have been upgraded and many new bridges built. [Text] [OW211050 Beijing XINHUA in English 0750 GMT 21 Jul 84]

ZHONGGUO XINWEN SHE ON TAIWAN ECONOMIC RECOVERY

HK090559 Beijing ZHONGGUO XINWEN SHE in Chinese 0827 GMT 7 Jul 84

[Commentary by Wei Daye [7614 1129 2814]: "Taiwan's Economic Recovery and Hidden Worry"]

[Text] Beijing, 7 Jul (ZHONGGUO XINWEN SHE)--After undergoing the 4-year economic recession that started in 1974 and was described as the worst in 30 years, Taiwan's economy has begun to recover since April of last year. The speed of the economic recovery was slower from April to June last year, but faster during the second half of the year. Further progress has been made since the start of this year. Last year the economic growth rate increased from 3.8 percent of 1982 to 7.1 percent; import and export volumes increased from minus 6.2 percent to 10.5 percent; export volume increased from minus 1.8 to 13.1 percent, and import volume increased from minus 10.9 percent to 7.4 percent. The situation has continued to improve this year. The economic growth rate in the first quarter was 12.3 percent higher than the same period last year, but the economic growth rate of the second quarter was slightly lower. Import and export volumes from January to May were 24.3 percent higher than the same period last year. Export volume increased by 32 percent, and import volume by 15.1 percent.

There are three characteristics of Taiwan's economic recovery over the past year or so: 1) The economy has recovered at a moderate speed. Although the 7.1 percent economic growth rate of last year was not low, it could only be regarded as a moderate recovery if compared with the generally over 9 percent economic growth rate of the past. The economic growth rate of the first and second quarters of this year was higher. It was because the base of the same periods last year was too low. 2) The inflation rate is low. According to a previous law, when the favorable balance of trade is big, the rate of money supply and price increase is higher. Last year, the favorable balance of trade was \$4.8 billion, but the growth rate of money supply remained at 15 percent, and the prices of consumer goods increased only slightly by 1.9 percent. The situation has not changed greatly this year, but the latent threat still exists. 3) Economic recovery is based on heavy reliance. This mainly refers to Taiwan's trade with the United States. The proportion of Taiwan's exports to the United States increased from about 37 percent of the 1970's to 45 percent of last year in the total export volumes. Exports to the United States further increased to 49 percent during the first 5 months of this year. It is obvious

that Taiwan is heavily depending on the U.S. market for trade. In recent years Taiwan has repeatedly stressed the necessity of diversifying trade areas, but actually Taiwan's trade is relying more and more on the United States.

Although Taiwan's economy has recovered somewhat what will be its future? A Taiwan magazine published an article saying: The present "transient golden rays of recovery can never cover up the long-existing absolute despair." In the near future Taiwan's economy might probably be able to maintain the present trends of development. However, just as this magazine has pointed out: Judging from various factors, the present development is fragile and unstable. There will be tremendous difficulties and great hidden worry in the future. According to views of Taiwan's newspapers and periodicals, all these manifest themselves in the following three main aspects.

1. The dark clouds over foreign trade have not yet dissipated. The present economic recovery of Taiwan has relied to a large degree on the increase of exports, the "increase of exports to the U.S. market" in particular. According to an analysis made by the Organizations for Economic Cooperation and Development and some economists, although the U.S. economy may progress smoothly in a short time, it will encounter many difficulties in the future, such as the problems of a high interest rate, trade deficits, and so forth. Therefore, the possibility that the United States will adopt stricter protective and restrictive measures in foreign trade cannot be ruled out. In the past, Taiwan's exports were greatly benefited by the U.S. "general preferential treatment in tariff." However, at present, the number of export items covered by such preferential treatment has been reduced, and some items are no longer preferentially treated. According to reports by Taiwan newspapers, last year Taiwan exported products to the United States with a total value of \$3.4 billion. These products will no longer enjoy the previous preferential treatment this year. It is expected that more items will not be covered by preferential treatment next year. There is no doubt that this is a heavy blow to Taiwan. At present it is difficult for Taiwan to open up markets other than the United States.

2. Taiwan's economic structure is fragile. Taiwan's economy is characterized by a kind of light economic structure. In the past, it engaged in the development of some heavy industries and has considerably developed some "strategic" industries such as electronics, telecommunications, machinery, and so forth in recent years. However, traditional industries such as textiles, rubber, plastics, food, and so forth still play a leading role, accounting for about 70 percent of the entire manufacturing industry. Such industries need an enormous labor force and a lower level of technology. Their additional value is not high. At present, Taiwan's economy is facing a difficult situation of "being followed up by pursuing troops with the outlet being blocked." Last May, Taiwan's CHUNG-YANG JIH-PAO published an article saying: "There are still many weak points in the economic structure of Taiwan, like a grown man who suffers from anemia, heart weakness, and abnormal liver functioning." Ku Chen-fu, a noted Taiwan industrialist and businessman, pointed out: The present economic recovery of Taiwan is only a kind of "market recovery." In other words, spurred on by the economic recovery of the West, certain

traditional industries have been "put into production again," or the restoration of "simple reproduction," rather than "recovery in structure," namely, the development of "expanded reproduction" on the basis of the renewal of production facilities and equipment, and the enhancement of labor productivity. All these have "concealed another crisis." This is a problem that cannot be solved in a period of 3 to 5 years.

3. Investors are not eager to make further investments. The present situation with which the two sides of the Taiwan Straits are confronting each other is detrimental to the development of Taiwan's economy. If the present situation remains unchanged, the problem will become more and more serious. Two problems have simultaneously occurred in the economic field of Taiwan. On the one hand, it is difficult for enterprises to renew or expand equipment and facilities to meet the demand of expanded reproduction because of the lack of funds. On the other hand, banks are facing a number of "bad debts." It is difficult for them to provide loans. The market is flooded with idle funds that cannot find a way out. According to reports by Taiwan papers, funds in a sum of \$3 billion or so outflowed last year. In 1982, Taiwan's fixed capital investment dropped by 0.9 percent. In 1983, although Taiwan's economy was in a state of recovery, fixed capital investment further dropped by 3.9 percent. The situation has "unexpectedly taken a sudden turn" this year. Fixed capital investment of the first quarter dropped by 21 percent compared with same period last year. Although the government has increased its investment, investment made by private sectors has dropped by 42.8 percent. This is a very serious situation. Some representative figures of Taiwan's industrial and commercial circles said: The basic reason contributing to the present situation is the "obscure political prospects of Taiwan," which has made people lose "confidence in economic prospects." Some economists and experts pointed out without mincing words: "The political atmosphere has suffocated Taiwan's economy." They added: the true settlement of Taiwan's economic problems in the future is "a question for study by politicians." Taiwan's TA-HUA WAN-PAO published an editorial, saying: At present, "only by turning in the direction of the mainland in a bid for development" can we "lay a deep foundation for economic development."

CSO: 4006/667

TAIWAN

OFFICIAL SEES ECONOMIC CHANGES NECESSARY

OW140413 Taipei CNA in English 0240 GMT 14 Jul 84

[Text] Kaohsiung, 14 Jul (CNA)--A ranking official here said the economy of this country is in a critical stage where it will not stand a chance of surviving in the throat-cutting world economy if no drastic measures are taken to avert its defects.

Wang Chou-ming, vice chairman of the Council for Economic Planning and Development, said Friday that many people here think our economic achievements in the past 20 years will continue. This is a dangerous idea, Wang pointed out.

He made the remarks in an address to more than 200 graduates from the business administration sessions of the National Sun Yat-sen University in Kaohsiung. The occasion took place at the Chung Cheng Cultural Activities Center here.

The further development of our economy depends in whether we could realize our own defects and then choose the right path both in terms of concepts and in terms of actions, he told his audience.

According to Wang, the Republic of China's economy is facing four pressures that need to be overcome immediately:

--As an energy crisis is bound to recur, the domestic economy would not be able to face the challenge of raised oil prices if its industrial structure is not appropriately readjusted;

--A red light has appeared in the labor-intensive industries here, and this country's export markets of light-industrial products are being threatened by other new developing countries;

--The severe shortage of high-technology manpower and the low capability for research and development have been widening the technology gap between this country and industrialized countries. This is the greatest potential crisis for the development of the ROC economy;



--Foreign trade taken up as much as half of all this nation's economic activity. In addition, local products depend too heavily on the U.S. markets. When protectionism prevails, the domestic economy will only meet with even greater difficulty.

He proposed three basic ideas for improving this country's economic situation:

--Liberalization: Except for new products, import tariffs on foreign products should be minimized to stimulate the competitiveness of domestic products;

--Internationalization: Domestic manufacturers should be encouraged to cooperate with multinational corporations whose technologies, after being introduced here, will help domestic industry to grow up to international standards;

--Commercialization: Domestic industrialists should learn to place more emphasis on marketing profits than on manufacturing profits.

CSO: 4020/159

ECONOMIC MINISTRY TO FOSTER HIGH TECHNOLOGY INDUSTRIES

OWO60427 Taipei CNA in English 0238 GMT 6 Jul 84

[Text] Taipei, 6 July (CNA)--Economics Minister Hsu Li-teh said Thursday that his ministry may consider, if necessary, to join domestic private investment companies in operations introducing high technologies and to heighten the nation's science and technology level.

Hsu, who returned from the states Wednesday after attending the 1984 Chinese-American Academic and Professional Convention, made the remarks in a press conference held at the Ministry of Economic Affairs.

He pointed out that during his stay in the United States, many overseas Chinese professionals and Chinese American scholars expressed to him their strong willingness to pool their knowledge and efforts for the technological development of their mother country.

Hsu said there are over 60,000 Chinese scholars with doctor's degrees now residing in the United States, his ministry will carefully plan how to use these manpower resources.

If necessary, he continued, the Economics Ministry will select and develop together with domestic investors certain high-risk industries for which there is low investment willingness so as to hieghten the nation's technology level.

CSO: 4010/119

PRC COMMENTARY ON TAIWAN COAL MINE 'DISASTERS'

HK170857 Beijing ZHONGGUO XINWEN SHE in Chinese 1040 GMT 13 Jul 84

[Commentary by ZHONGGUO XINWEN SHE reporter Chen Guoshao [7115 0948 1421]:  
"Why Do Coal Mine Accidents Successively Occur in Taiwan--ZHONGGUO XINWEN SHE  
Headline"]

[Text] 13 July, Beijing (ZHONGGUO XINWEN SHE)--It is reported that on 10 July, another disastrous coal mine accident occurred in Taiwan. A total of 124 miners were trapped by fire in the pit of the Mayshan mine 2,000 meters underground. Through vigorous rescue efforts of all sides concerned, 22 miners survived and the remaining 102 miners died. The fire was the second unprecedentedly heavy mine disaster on Taiwan Island in 3 weeks. An explosion at the Haishan pit on 20 June killed 74 miners.

These successive mine disasters not only brought tragedies to a number of miners but also produced wide repercussions among official quarters and the people. Since 20 June, press circles in Taiwan have been investigating and affixing the responsibility for the mine disaster in the Haishan mine and discussing Taiwan's present coal mining policy, thus even doubting whether or not coal mines in Taiwan are worth exploiting. It is reported that Yu Kuo-hua, the newly appointed "president of the Executive Yuan," ordered all the island's mines to check up on safety work. After the disaster in the Mayshan mine this time, Chiang Ching-kuo had to order all mines to suspend production from 12 July for further safety inspection.

It is reported in the Taiwan newspapers that in Taiwan there are some 100 small mines in all with no more than 20,000 miners. However, from 1961 to 1970, 117 coal mine disasters a year occurred on average, with an average of 154 miners killed in coal mine disasters per year. Taiwan's coal industry thus ranks first in the death rate of mine disasters. During the period between 1976 and 1981, the number of miners killed in mine disasters reduced to some extent but the death rate was still as high as 2.038 per thousand, or 400 percent and more over than in European countries and the United States. Over the last few years, the number of Taiwan miners killed in mine disasters has gradually increased, averaging 4.8 miners killed or injured a day. If the number of miners killed or injured in these two recent heavy mine disasters is added, the casualties will be all the more shocking.

The reasons why accidents occurred successively in Taiwan coal mines are, of course, many-sided. For example, being congenitally deficient in coal, Taiwan has little coal reserves with coal bed being thin and coal buried deep underground and scattered. Coal mines in Taiwan are therefore not easy to exploit. This coupled with expensive safety equipment and huge expenses on manpower has frequently caused mine owners to make do with whatever is available in order to reduce expenditure and boost income to the neglect of safety in production. All these are the direct reasons for the repeated mine disasters in Taiwan. However, just as many relevant experts and scholars in Taiwan said: The root cause of the accidents successively occurred in Taiwan coal mines lies in the present Taiwan coal mining policy. Taiwan has 150 million tons of coal reserves, no more than Shaanxi Province's annual coal output of last year. Taiwan's yearly coal output is just some 2 million tons while each of the 19 large-sized coal mines which are under construction in Shaanxi has an annual production capacity of more than 3 million tons. From the above-mentioned comparison, it can thus be seen that Taiwan's coal reserves and coal production capacity are not worth mentioning. Moreover, in Taiwan coal exploitation conditions are harsh, mine disasters are frequent, and cost is sheerly high. Taiwan's coal price is 50 percent and more higher than the price of imported coal counted at the C.I.F. price. Therefore, many experts and scholars hold that it seemed to be of no value to further operate Taiwan's coal mines and proposed the authorities close all coal mines on the island. However, in view of the fact that 80 percent of energy needed on the island has to be imported and of the lesson that the Taiwan's economy suffered heavily from the previous two world energy crises, in order to reduce its reliance on imported energy and to avoid suffering again from any possible world energy crisis in the future, the Taiwan authorities formulated the "energy policy of the Taiwan region" and decided to help sustain the coal mining industry which was extremely backward and highly expensive even though a huge subsidy totalling 2 billion new Taiwan dollars should be injected to the industry a year with a view to meeting one-third of the amount of coal consumed. Under such a coal mining policy, coal mines in Taiwan have to be sustained day after day although their safety facilities are in a very poor condition and some 20,000 miners have to get into the almost hellish pits day after day, working in the jaws of death.

Of course, the intention of the Taiwan authorities to reduce its reliance on imported coal is understandable. However, the situation in which the safety of tens of thousands of miners is not ensured at all and the cost of coal exploitation is so expensive is indeed difficult to maintain. How should this contradiction be resolved? Some experts argue that it would be better to use the huge annual subsidies to help the 20,000 miners seek other jobs than to impel them to work in the extremely dangerous coal pits and propose that the 100-odd small coal mines which are of no great value for further exploitation be closed down. As for the question of reducing the reliance of Taiwan on imported energy, as this reporter sees it, if the authorities are really determined to do so and really think about the interests of the Taiwan people, they might as well free themselves from the "pathological fear of communism" with which they frighten themselves and discard the unrealistic and unreasonable policy of the "three don'ts." In this way, the rich coal and petroleum on the

mainland will be the most reliable energy supply for Taiwan. If Taiwan buys energy from the mainland of China, the latter will not only offer a more reasonable price but also ensure a long-term stable supply of energy for the former. If this actually happens, the Taiwan people can relieve themselves from the threat of world energy crisis and the Taiwan miners and their nearly 100,000 family dependants will no longer suffer severely from the repeated mine disasters. This is a thing beneficial to the people. Why not go ahead with it?

CSO: 4006/667

## BRIEFS

TAIWAN FOOD EXHIBIT IN TOKYO--Tokyo, 1 Jul (CNA)--The Republic of China completed a highly successful show of its delicacies in Tokyo Sunday. More than 8,000 Japanese people, including over 2,000 food dealers, caterers and supermarket proprietors, turned out to visit the three-day "Republic of China, Taiwan, Food Exhibit and Sampling Party" which closed at the Tokyo tower bowling center at 4 p.m. Yu Yu-hsien, commissioner of the Department of Agriculture and Forestry of the Taiwan Provincial Government, said the food fair "is much more successful than was expected." The food fair was jointly sponsored by the Taiwan Provincial Department of Agriculture and Forestry, the Board of Foreign Trade of the Republic of China and the China External Trade Development Council. Seven categories of foodstuffs--tea, vegetables, frozen foodstuffs, marine products, frozen pork, bamboo shoots and Chinese delicatessen--were displayed at the food fair. [Text] [OW011401 Taipei CNA in English 1348 GMT 1 Jul 84]

JOINT VENTURE WITH ST LUCIA--Taipei, 30 Jun (CNA)--The Investment Commission (IC) of the Ministry of Economic Affairs recently gave final approval for Tatung Co to begin a joint venture program with St Lucia, an island nation in the Caribbean Sea. This is the first venture local firms have become involved in since the U.S. Government announced the Caribbean basin initiative last November. Under the agreement, Tatung will invest U.S. Dollars 1.1 million for construction of the new facility, which will manufacture electric fans and refrigerators. In the future the facility may be expanded to produce television sets, electrical goods and electronic products. According to the IC the ROC [Republic of China] Government is offering many incentives to encourage local firms to invest in Caribbean countries. Many firms have expressed interest in the opportunity, including textile, electronic, rubber and plastic producers. [Text] [OW300405 Taipei CNA in English 0310 GMT 30 Jun 84]

UNEMPLOYMENT RATE DROPS--Taipei, 28 Jun (CNA)--The jobless rate in the Taiwan area plunged to 2.4 percent in the first quarter of this year, the lowest since the third quarter of 1982, the Manpower Planning Committee under the Council for Economic Planning and Development reported Wednesday. The committee said that the nation's labor force (people aged above 15) numbered 7,466,000 in the first three months of this year while the employed population totaled 7,287,000, thus leaving only 179,000 people unemployed. The committee added that the employment rate in the first quarter of 1984 rose 5 percent over the like period of last year. The committee indicated that

job openings in the agricultural sector dropped 1.5 percent in the first quarter of this year from that of the same period a year ago. Hirings by industrial firms posted an 8.8 percent growth during the three-month span as compared with the corresponding period of 1983. In the industrial sector, employment by the manufacturing industry registered a sizable 9.7 percent growth in the first quarter while hirings in the service industry rose 3.9 percent. [Text] [OW280319 Taipei CNA in English 0300 GMT 28 Jun 84]

WORKER'S INCOMES INCREASE--Taipei, 28 Jun (CNA)--Average monthly incomes of workers in Taiwan in the first quarter of 1984 increased significantly when compared with the same period last year, according to the Council for Economic Planning and Development (CEPD) of the Executive Yuan. The CEPD noted that employees in the construction line enjoyed the largest rate of rise, 21.3 percent; while the general increase was more than 10 percent. The CEPD also noted that in the first quarter, employees in the banking and financing line and business service line held the highest average monthly income, NT\$21,937, followed by those in the water, electricity and gas line, NT\$20,937. Employees in social organizations and personnel services had the lowest, NT\$11,879. The CEPD said that the increase not only will improve the standard of living of local employees, but also reflects the Republic of China's vigorous economic recovery. [Text] [OW280417 Taipei CNA in English 0322 GMT 28 Jun 84]

JAPANESE TRADE GAP--Taipei, 18 Jul (CNA)--The Republic of China had a huge deficit of U.S.\$1.49 billion in trading with Japan in the first half of this year, according to the Board of Foreign Trade [BOFT]. BOFT statistics indicate that in the first 6 months of this year, this nation's imports from Japan amounted to U.S.\$3.11 billion, up 29.2 percent over the same period of last year. During the same 6-month period, the ROC's exports to Japan totaled nearly U.S.\$1.62 billion, up 40.8 percent over the like period of the preceding year. Electrical machinery and electronics constituted the lion's share of the ROC's imports from Japan. Other Japanese products this nation has imported in large volume included machinery, basic metals, and chemicals. An official of the BOFT said Tuesday that this nation's exports to Japan showed considerable growth in the first half year, signifying the successful implementation of the sales promotion efforts initiated by the China External Trade Development Council and the business sector. The government has made 1984 the action year to boost exports to Japan. In addition to trade, the ROC Government is expecting to promote investment and technological cooperation between the domestic industries and their Japanese counterparts. Technological cooperation will be a topic for discussion during the Sino-Japanese economic and trade forum scheduled for October, the trade official said. [Text] [OW180353 Taipei CNA in English 0258 GMT 18 Jul 84]

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